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**DEPARTMENT OF DEFENSE AUTHORIZATION FOR
APPROPRIATIONS FOR FISCAL YEARS 1988 AND
1989**

HEARINGS
BEFORE THE
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE
ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

S. 1174

AUTHORIZING APPROPRIATIONS FOR FISCAL YEARS 1988 AND 1989 FOR
MILITARY ACTIVITIES OF THE DEPARTMENT OF DEFENSE, FOR MILI-
TARY CONSTRUCTION, AND FOR DEFENSE ACTIVITIES OF THE DE-
PARTMENT OF ENERGY, TO PRESCRIBE PERSONNEL STRENGTHS FOR
SUCH FISCAL YEARS FOR THE ARMED FORCES, AND FOR OTHER PUR-
POSES

PART—2

READINESS, SUSTAINABILITY AND SUPPORT

MARCH 4, 5, 11, 17, 25, 1987



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**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEARS
1988 AND 1989**

WEDNESDAY, MARCH 4, 1987

**U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
*Washington, DC.***

**CURRENT READINESS AND SUSTAINABILITY POSTURE OF U.S.
FORCES**

The subcommittee met in open session at 1:30 p.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senators Dixon, Nunn, Levin, Bingaman, Wirth, Warner, Thurmond, Humphrey, and McCain.

Staff present: Carl M. Smith, staff director for the minority; Patrick A. Tucker, minority counsel; Robert E. Bayer, John J. Hamre, George K. Johnson, Jr., Ronald P. Kelly, David S. Lyles, Patricia L. Watson, professional staff members; Mary J. Kampo, Paula J. Kovacs, staff assistants.

Also present: Greg Weaver, assistant to Senator Levin; Edward McGaffigan, Jr., assistant to Senator Bingaman; Charles C. Smith, assistant to Senator Dixon; William J. Wight, assistant to Senator Warner; Alan Ptak, assistant to Senator Gramm; Lorne Craner, assistant to Senator McCain.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. Ladies and gentlemen, the Subcommittee on Readiness, Sustainability, and Support meets today to begin our hearings on the fiscal years 1988-1989 Defense authorization request.

I want to welcome all the members of the subcommittee to our first meeting of the 100th Congress.

I want to particularly welcome Senator Wirth and Senator McCain, who join the Armed Services Committee and this subcommittee this year.

I also want to say that I particularly look forward to working with my friend and colleague, the ranking minority member for this subcommittee, Senator Humphrey.

Senator Humphrey served as chairman of the Preparedness Subcommittee for the last 6 years. His strong leadership and commit-

ment to readiness and sustainability programs have been essential to increasing congressional awareness of these critical components of our military capability.

Under the reorganization of the Armed Services Committee in the 100th Congress, this subcommittee has been given a broad charter; to oversee two critical measures to our military capability—the ability of our military forces to go to war today, and the ability to sustain forces in a conflict.

This subcommittee is responsible to the full committee and to the Senate for reviewing those elements of the Defense authorization request which are associated with the operation and maintenance of our forces, and with those items of procurement particularly related to readiness and sustainability, such as conventional ammunition and spare parts.

This subcommittee will also review the budget for military construction and family housing. By my calculations, approximately 35 percent of the Defense Department's budget request, or approximately \$107 billion in fiscal year 1988, falls under the jurisdiction of this subcommittee.

With a jurisdiction this broad, it is impossible for the subcommittee to hold a separate hearing on each individual area under our jurisdiction. For that reason, I directed the staff to get detailed briefings on each area of the budget under our jurisdiction.

Those staff briefings were attended by the committee staff, and by the staffs of the subcommittee members. The information from those briefings will be very useful to the subcommittee in the coming months.

I also directed the staff to set up a series of subcommittee hearings that will allow the subcommittee members to receive an integrated overview of the major issues and problems, in the areas of readiness, sustainability, and support.

In our first two hearings, we will receive testimony from the designated representatives of five of our Unified Commanders in Chief.

These hearings will review the current wartime readiness and sustainability posture of the forces under these unified commanders, and then focus on how the fiscal years 1988 and 1989 budget meets the specific readiness and sustainability needs of these forces.

At our next two hearings, we will hear testimony from the joint logistics commanders on the military services depot maintenance and central supply programs, including their spare parts programs and their military construction programs.

Our final hearing will be an overview of all of the areas under the subcommittee's jurisdiction, with a senior official from the Office of the Secretary of Defense.

Adopting a Federal budget in Congress gets harder every year, as you all know, and this year is not going to be any exception.

If we are going to meet the \$108 billion Gramm-Rudman deficit target, and avoid a sequester this fall, we have our work cut out for us. The overall level of funding in fiscal years 1988 and 1989 defense budget represents a reasonable and legitimate request, as far as national defense goes, although I think some of the priorities are probably seriously out of balance.

However, the rest of the Federal budget for fiscal year 1988 is full of unrealistic assumptions and unwise proposals. Unfortunately, we cannot act on the Defense budget in isolation from the rest of the Federal budget. The Defense budget is going to have to bear its fair share of the burden in reaching these deficit targets, and there is going to be a lot of pressure on the readiness accounts because of their relatively high first year outlay rate. We have had these same pressures for the last several years. But I think Congress has realized the importance of these readiness accounts.

There is no doubt that readiness and sustainability have improved in the last several years. From what I have heard about the fiscal years 1988 and 1989 budget though, the progress we have made in readiness and sustainability in the last several years may be in jeopardy.

Our witnesses this morning represent the unified commanders of the European Command, Central Command, and Readiness Command.

Maj. Gen. Thomas Craig is the Director of Plans and Policy of the European Command.

Maj. Gen. Christian Patte is the Director of Logistics and Security Assistance of the Central Command.

Brig. Gen. Joseph Stapleton is the Deputy Director of Operations for the Readiness Command. General Stapleton is filling in for Lieutenant General Goodall, the Deputy Commander in Chief of Readiness Command, who was originally scheduled to testify this afternoon.

Gentlemen, we welcome you to the subcommittee, and we appreciate you being here this afternoon. Your full statements will, of course, be included in the record. We will have questions after you have given your oral testimony. We will proceed in open session as long as possible. I do have a few questions which will require classified answers, so I suggest we postpone any classified discussion until the end of the hearing, when we will have a brief closed session.

Before the witnesses begin, let me say that it will be our policy in the subcommittee generally to begin on time. I think everyone here understands the many obligations of all of my colleagues on this subcommittee.

I think from time to time, as we are going ahead, Generals, you will find others will be coming in, and sometimes leaving. I hope to be able to recognize each of them while they are here, so that you can answer their questions.

And may I say that I am sure that it is a practice of us all, as it is my practice, to read your statements in advance of the hearing. I already know what you are going to say in your prepared text, so if you can accommodate us by keeping your remarks relatively short, I would appreciate you keeping them under 10 minutes if you can.

Then we will get to the question and answer part, which I think is the most revealing and informative for all of us.

Now, General Craig, I believe you will proceed first.

STATEMENT OF MAJ. GEN. THOMAS L. CRAIG, DIRECTOR, PLANS
AND POLICY, U.S. EUROPEAN COMMAND

General CRAIG. Mr. Chairman, distinguished members of the subcommittee, it is a pleasure for me to appear before the subcommittee on behalf of the U.S. European Command and General Rogers, to discuss the vital issue of readiness, sustainability and support.

As you requested, I will provide a candid assessment of the current status of the readiness and sustainability of European Commands forces, a subjective evaluation of how the President's budget affects the readiness and sustainability across the FYDP, and then close with some observations on development of the preparedness system as mandated by the Goldwater-Nichols law.

General Rogers has consistently told the Congress that improving readiness and sustainability of in-place and early deploying forces has been our top priority. With your support, we have raised the visibility and understanding of the criticality of readiness and sustainability to deterrence, and overall warfighting capability, and the difficult task of reversing the adverse trends evident in the late 1970s has begun.

Today, European Commands' forces are more capable than at any time during the past 8 years. Our people train more, the stock bins are fuller, and stories about "Hangar Queen" aircraft and hollow divisions have disappeared.

Measuring the state of defense readiness and sustainability is complex. Forecasting the benefit of added dollars spent on these accounts has proven illusive. The desire to do both has resulted in a current readiness and sustainability reporting system that is not always well understood. Too often we hear readiness referred to as our overall defense capability.

Additionally, those who make the pronouncement that you have got to modernize to be ready, merely confuse an already complex issue.

We have systems for reporting current readiness and sustainability levels within the Defense Department. In part, these are the familiar "S" ratings and "C" ratings. These systems were designed to provide military commanders with a management tool for monitoring the current status of their forces, and assessing how well the local commanders are utilizing the resources.

The system alerts the commander to potential problems, and helps focus efforts on areas where management remedies are needed.

These systems are constantly evolving in an attempt to keep pace with day to day management needs, and it is important to note that these ratings systems are not intended to be an indicator of the adequacy of current programs, nor to assess the effects of proposed budgets.

Nor do historic trends of the rating system give an accurate view of warfighting capability over time. The current systems are simply useful management tools for illuminating today's readiness and sustainability posture.

Given the narrow purpose and therefore inherent limitations of the ratings systems, let me turn to the current readiness and sustainability levels for European Command assigned forces.

European Command's readiness and sustainability ratings have remained basically unchanged over the past 5 years. These ratings indicate the forces in Europe are combat ready with deficiencies.

The ratings have remained essentially the same for many reasons, the main ones being, first, since they were designed as an internal management tool, they are neither fully nor exclusively sensitive to changes in bin stockage levels.

Second, these ratings systems are sensitive to weapon systems modernization and/or changeover systems.

And third, the methodology for calculating the ratings has evolved as needs and requirements changed.

Note that during these past 5 years, virtually every land and air combat system in the theater has been modernized. This introduction of modern, more effective and capable systems in many instances actually lowers readiness and sustainability ratings during the transition period and early years of deployment.

As a typical example, during the period 1980 to 1987, the process of upgrading the Vietnam era F-4 fighter units to modern F-15s and F-16s has been taking place. Readiness and sustainability ratings fell drastically as we pursued the lengthy but necessary transition process of reequipping, training and evaluating. Once this process was completed, the ratings returned to their original level, plus we had far more capable squadrons.

As an example, one such squadron, which was originally rated C-2 for equipment, dropped to C-5 during conversion, and it was 2 years before initial WRSK and BLSS shortages were eliminated and the squadron could again bring itself back up to C-2.

The modernization of an Army battalion with M-1 tanks or Bradley Fighting Vehicles produces similar rating changes, not only for the unit, but also for the POMCUS program, since both sets of unit equipment are involved in these ratings.

Compound these examples across the broad scope of our current modernization effort, and the impact on readiness and sustainability ratings is substantial.

One final caution concerning ratings. At times, they will reflect a system not being ready for combat because of a peacetime safety limitation that would quickly be overcome in event of war. Today, for example, an ambulance without a rear view mirror would not be rated mission ready, but before the first shot was fired, that same ambulance would be on the road to assume its wartime mission.

That readiness and sustainability ratings have remained constant is, therefore, not to be taken as an indication that we are no better off than we were 5 years ago. Rather, it is an indicator that the management tool for field commanders does not have transference to the question of how much improvement has resulted from past budget increases.

While the current readiness and sustainment rating systems do not answer this question, consider the following examples of key improvements in readiness and sustainment levels.

From 1981 to 1986, on-hand stocks compared to requirements increased as follows: Munitions for war reserve resupply stocks for ground combat forces increased by 20 percent; major end items by 21 percent; secondary end items by 68 percent; availability of spare

parts to support fighter wartime sortie generation by 83 percent; torpedo and missile inventories by 25 to 40 percent; backlog of ground combat force maintenance and repair facilities, decreased by 50 percent; selected modern air-to-air missiles stocks increased by 68 percent; strategic airlift tons deliverable increased more than 50 percent as stocks of spares and additional aircraft were procured.

The Air Force in-flight refueling capacity increased by 84 percent. Both POMCUS warehouses and short tons of pre-positioned equipment have increased by over 70 percent.

The above trends do not include many readiness and sustainable improvements funded by the fiscal years 1985 and 1986 budgets, due to the time lag between budget approval, production, and actual receipt of the stocks in theater. While fiscal years 1985 and 1986 budgets slowed readiness and sustainability growth, we should expect that the above mentioned trends will continue, but at a somewhat slower pace.

The current reporting system just does not provide any visibility into future deliveries. Past, as well as current budgets reflect the projected total annual defense buys, but do not reflect a theater allocation of what is to be procured. Goldwater-Nichols law recognizes this inherent deficiency and has mandated development of a uniform preparedness reporting system, applicable to each theater's unique requirements.

From our reading, it appears that such a system will enable us to answer two key questions: What is already in the pipeline to fix current theater deficiencies, and what money has been budgeted for future enhancements for our theater. General Rogers fully supports this initiative to create a very much needed management tool.

Despite the anomalies of the current reporting system and their inherent inability to project readiness and sustainability into the future, I do not have a subjective estimate of what the fiscal years 1988 and 1989 budget does for European Command.

First, considering current fiscal constraints, the President's budget is well balanced between the four warfighting pillars of readiness, sustainability, modernization, and force structure. The budget continues to support readiness and sustainability efforts despite growing pressures to increase emphasis on modernization and force structure. Both the current funding level and the priority on readiness and sustainability programs need to be fiercely defended.

Second, the budget continues to support positive upward trends on improving readiness and sustainability. What is critical is that the 3-percent growth continue. Without it, we jeopardize the necessarily slow but steady progress. While in the absence of a true preparedness reporting system described earlier, it is difficult to discern accurately the impact of the current budget, we have the impression that continued readiness and sustainability progress is extremely fragile.

The smallest amount of deferred maintenance and parts buys may appear acceptable in any given year, but they quickly accumulate and risk repeating the misfortunes of similar decisions in the 1970s.

In short, progress to date will be lost. While not remedying all the current deficiencies, the proposed budget represents fiscally prudent progress and is the minimum level of risk we should accept.

To those who ask, is a conventional defense affordable, I would quickly respond with, yes, it is, as long as we continue to fund the steady growth as contained in the 5 year budget. To maintain acceptable levels of risk we do not need to raise funding across the board. We need not spend billions of dollars for a few extra days of supply. Rather, we need to selectively fund key components that will exponentially increase readiness and sustainability.

Unfortunately, other than CINC assessments, we do not have the tools to identify which key readiness and sustainability areas need this concentration of effort to provide the optimum capability increases. The improved system of preparedness reporting should provide this much needed management tool however.

For European Command, the following areas represent fertile areas to get the most out of defense dollars: Maintain the current levels of OPTEMPO as modernization places increased demands on the training base; improve stocks of warstopper munitions and preposition war reserves; and as we rely heavily on the reserve system enhance their level of manning, training, and equipping, so that they can perform effectively the missions for which they were created; remove the European troop strength ceiling, which is forcing us to keep needed support forces and modernization efforts out of the theater; and, increase the selected combat support and combat service support force structure in theater to support our forward based forces.

In closing, as DOD and Congress wrestle with more accurate measures of readiness and sustainability and how best to spend the next defense dollar, I ask that you consider the following.

Better measures of today's level of readiness and sustainability are not needed. Rather, we need better management tools to determine what future dollars should and will buy, and for whom. This must start with prioritized theater readiness and sustainability requirements. What is required most in European Command may be very different than what is needed in SOUTHCOM.

In meeting those requirements, both military commanders and civilians charged with oversight responsibility need visibility into current and projected shortfalls, what the budget buys, and for whom. Tools must be developed that are capable of guiding budget development and assessing program funding. Assessments must go beyond single service measurements; in the final analysis, wars will be determined by how ready and sustainable our joint forces are.

If we can accomplish this, and I am confident that we can, then we will have a system that will enable us to apply limited dollars to areas where they will do the most good.

Thank you sir.

[Major General Craig's statement is retained in the committee files.]

Senator DIXON. Thank you, General Craig. General Patte of the Central Command.

STATEMENT OF MAJ. GEN. CHRISTIAN PATTE, U.S. ARMY, DIRECTOR OF LOGISTICS AND SECURITY ASSISTANCE, U.S. CENTRAL COMMAND

General PATTE. Mr. Chairman, members of the committee, members of the subcommittee, I appreciate the opportunity to appear before you to testify on readiness, sustainability, and support, as they apply to the United States Central Command.

I would like to present now about a 10-minute overview of my prepared statement, which has been entered into the record.

I am fully prepared to get into specific details on units, personnel, or equipment shortfalls in the closed session, at your request.

Insofar as readiness is concerned, our combat units for all the services are today more ready to deploy than at any time in the past. For the Army, our division and regimental level forces with their organic combat support troops are all ready to deploy.

For the Air Force component, we can report that it is capable of meeting in excess of 95 percent of the required sorties for combat.

Our Navy component reports that all ships reporting to the Middle East Force are operationally ready. And as far as the Marine Corps is concerned, the units continue to maintain high levels of combat readiness and actually deploy and train in areas adjacent to our own area of operations.

We have, as you know, a *Deigo Garcia* pre-positioned ship loaded with equipment and supplies to support the 16,500-man marine amphibious brigade for 30 days. This allows us to readily deploy a brigade force ashore in about 5 days.

And finally, our ranger units and naval special warfare units are fully mission capable. Our Air Force Special Forces units have recently experienced some degradation in readiness, because of an aging C-130 fleet. But the 1988-89 budget will provide most of the improvements we seek by the end of 1989.

I have just painted for you a rather updated picture on the readiness of our combat units. And I should emphasize the words combat units include those organic support units which are in the divisions or regiments concerned. I must admit that the picture is not as bright for the readiness level of what we call nonmajor units.

These support units, especially those in the Reserve components, and their status, continue to be of great concern to my CINC, General Crist.

In these kinds of units, we have significant equipment and personnel shortages. At the present time, 21 percent of our active units report equipment shortages. For the Reserve components, the figure is 39 percent. The situation is somewhat better than last year, and we believe we will see some real improvement this year, and I will tell you why in a few moments.

The Army has embarked upon a serious effort to improve the equipment readiness of these support units. An extensive redistribution program is under way to cross-level equipment, to upgrade these currently noncombat ready units. This redistribution program has just started, and will be completed by mid-year, 1987.

A similar redistribution program was tried for the National Guard last year and worked extremely well, reducing not combat

ready units from 30 percent to 6 percent during the time it was in effect.

Another effort, the dedicated procurement program, would procure selected equipment exclusively for the Reserves. The 1988-89 budget contains \$171 million for equipment for these types of units, and of course, we urge support of this readiness issue.

In the personnel field, almost all of our nonmajor Army Reserve support units, which report noncombat ready, do so because they lack trained personnel in their units. This, of course, is of major concern to CENTCOM, because these are the units that make up over half of our total support capability, after we deploy to the theater.

It is interesting to note that strength shortage is a secondary, rather than primary problem. The main reason for the units not being combat ready is for MOS qualification. That is to say, it is mostly a training problem. As our equipment becomes more modern, and to some degree, more complex, we must provide a means to improve the individual training status of the troops.

The Army is now establishing four, and have just recently opened four out of 21 regional maintenance sites, which have plans to open by fiscal 1991. These facilities will provide an improved capability for the units and for the personnel to receive update, sustainment, transition, or refresher training.

The budget has set aside \$118 million for this program. With this support, these training sites should make a good inroad into the Reserve component MOS qualification problem.

The readiness of these support units is, of course, of great interest to us, because they furnish the critical sustainment support which is so necessary after we deploy our troops to the area. These are the people who drive their trucks, who lift the ammunition, who repair the tanks, and who take care of our wounded. Let me address the issue of sustainability now.

As my boss told you last month, we do have serious problems with sustainment, and I will elaborate on some of those in the next few moments. And, of course, I will go into great detail in the closed session if you wish.

First, supplies and equipment.

Most of our shortfalls in this area are within the Army and Air Force component of our requirements for major end items, such as combat and base support vehicles, or rations, combat clothing, repair parts and the like. We actually have on hand 35 percent of the total requirement for war reserves. This reflects those items which are actually owned, controlled, or otherwise earmarked specifically for CENTCOM.

The 1988-89 budget for these sustainability categories is considered minimal, in terms of our requirements for the AOR. For example, we will barely attain 50 percent of the requirement for Army supplies and equipment.

As to the air component, the shortages are not quite as acute. Funding in recent years has enabled the Air Force to fully buy war readiness spares kits, and a large portion of their other war reserves spares requirements.

In terms of current capability, the Air Force is confident that they can meet all of their commitments to CENTCOM. However, as

you mentioned in your opening statement, Mr. Chairman, the funding line for these repair parts in the out years shows a downward trend, which may well erode recent gains.

1988 funding represents 16 percent of our total requirement of \$1.7 billion. 1989 funding represents 9 percent, or \$226 million, funded against a requirement of some \$2.5 billion. Now while these figures do represent Air Force wide totals, they are representative of CENTCOM's share for their air component as well.

As a specific example, war reserve spares for the B-52H are not funded, due to a previous decision to remove that aircraft from a conventional role. Since it has now been reinstated for this mission, we are now funding and lead time away from a supportable WRSK kit. The total Air Force requirement there is about \$456 million.

For petroleum, we have made a 5 percent improvement over last year. Here, our shortfalls are attributable in large degree to a lack of available storage space. We do have several on-going initiatives to obtain lead storage in our area, and assuming successful negotiations, and full funding, we should double our current posture by the end of this year.

As to munitions, we now have 42 percent of our level-of-effort munitions, and 38 percent of the threat-oriented munitions, such as missiles, which we need to sustain our combat forces. Obviously, our posture here is soft.

Modern munitions continue to pose a major concern, because of long lead times and their very high cost. For example, termination of AIM-7 missile production in 1988, in anticipation of the AMRAAM, leaves our air component with less than one-half of its radar missile requirement. And it will not get better until 1990, when the AMRAAM's should roll off the production lines. And we do have shortages in Mavericks and precision-guided munitions.

The shortfalls in level of effort munitions are primarily those for ground forces, and those which are for modern or improved weapons. Here I speak of such items as the TOW, the Bushmaster round and modern artillery projectiles. In this respect, the Army is requesting \$4 billion in the 1988-89 budget, for ammunition. This would significantly help and provide us with another 25 percent of our requirement, which would get us to a fairly healthy 67 percent of our total war reserve needs.

As far as our medical support in combat, the number of hospital beds available in the theater is our key yardstick there. Through pre-positioning, we have 30 percent of our bed requirement available for deliberate planning. In this calendar year, the number of available beds will increase to 42 percent. Current funding requests will equip all of the hospitalization units designated for Southwest Asia, but not until 1993.

One of the sub-elements of sustainability is a quantity of war reserves actually located in our area, which, of course, we call pre-positioning. PREPO reserves enhance our ability to rapidly respond to full scale operations, and give us flexibility to employ the forces in a limited role.

Another significant and relatively unknown advantage of PREPO, is that it is available for us to use during overseas exercises, and thereby considerably reduces our cost by decreasing air-lift and sea-lift requirements. We have done this in the past, and

will continue to do that during Bright Star's schedule for late summer. (This effort will save us about 50 aircraft sorties, which translates to about \$6 million in exercise costs.

So for these and other reasons, we continue to place a high priority on PREPO of war reserves at, or as close as possible to their point of anticipated use. We currently have negotiations going with several nations to increase our PREPO's of such items as ammunition, petroleum products, medical sets, COMMO, bare base support equipment, maps and charts.

We have made significant progress in improving the status of our PREPO overseas. Last year we reported to you that 33 percent of our requirement was PREPO. This year I can tell you the number is 54 percent. This is primarily the result of continued shipments into Oman, where we will fully occupy our storage facilities later this year. We have recently signed another agreement to store barrier and construction materials elsewhere. Shipments should start moving this summer.

As a matter of interest, we have noticed a general improvement in the attitude of our countries toward PREPO. They are becoming more sympathetic, and we expect continued improvement over the next few years.

We have made some gains in the storage of ammunition ashore. In the last 12 months, we have put 9,000 short tons into Oman, and we will load another 5 tons this coming month. We have negotiations going forward with pre-positioning elsewhere for another 11,000 short tons.

As to petroleum products, we hope to triple the amount of POL stored ashore in the area this year. We have so far improved by 6.5 percent from last year because of increased storage facilities in Djibouti, Oman, and other locations, and we will sign a contract shortly for 1.6 million barrels in Bahrain.

My last subject, that of military construction, Mr. Chairman, is another area where Congress has really given us a lot of help. Examples of typical uses of the facilities are en route support facilities, staging and logistical support, warehouses, and POL tanks for pre-positioning.

We have just completed projects in Kenya, Somalia, and Diego Garcia, all of which now enable us to support airlifts and P-3 operations, provide en route support and warehouse our stocks.

We have built a fine support base in Oman, which is now almost complete. And our en route support facilities at Lajes and Morocco will be completed with your appropriated 1987 funds.

The facilities required throughout the AOR are estimated to cost about \$1.4 billion. You have already funded about \$1.1 billion of that total, and we would like your support over the next 5 years with that last \$300 million increment, principally for staging and pre-positioning.

In 1988 we have asked you for \$35.1 million for staging support and maintenance facilities in Diego Garcia, and in Oman for airfield enhancement and PREPO. In 1989 we have asked for \$32.9 million for two Army programs, a brigade sized staging facility, and a war reserve PREPO facility. Both these projects will give us a real improvement in our ability to quickly project and sustain our forces.

In summary, Mr. Chairman, I have of necessity concentrated my comments on our concerns and shortages. However, I would not want to leave you, and members of the subcommittee with a picture of total gloom and doom. Our combat troops today are well equipped and ready to fight. And we are ready and able to transport them quickly to the field of battle.

We cannot, however, yet support them in sustained operations to the degree we would like. We in CENTCOM ask your support of the budget in several areas related to sustainment and readiness.

One, the reserve training sites and the equipment for our army combat service support units; two, the ground forces war reserves equipment and supplies and Air Force war regiment spares; three, Air Force missiles and Army advance munitions; four, the POL reserve acquisition; five, equipment for the medical sets; six, conversion kits for the aeromedical civilian aircraft; and seven, military construction.

Mr. Chairman, as logistician of a unified command, I for one, am delighted at having a subcommittee dedicated to the subjects of readiness and sustainment. These subjects are my bread and butter, and are near and dear to our hearts at MacDill. We all appreciate your past support for these very important aspects of force projection.

This completes my initial statement. I will be ready for your detailed questions.

[The prepared statement of Major General Patte follows:]

PREPARED STATEMENT OF MAJ. GEN. CHRISTIAN PATTE, DIRECTOR OF LOGISTICS AND SECURITY ASSISTANCE, U.S. CENTRAL COMMAND

Mr. Chairman and members of the subcommittee, I appreciate the opportunity to appear before you to testify on the subject of readiness sustainability and support as they apply to the U.S. Central Command.

While I will have been in my current position only a year this June, I have had the opportunity and privilege to take on the unique challenges of supporting a combat force in a theater without major deployed forces. Our mission is a challenging one that places great demands on our logistic capabilities. In my tenure thus far, I have visited 11 countries and have worked with the components and services to address the readiness of forces apportioned to us for planning. In the main, the readiness of forces is satisfactory but there are areas, which will be covered later, that are of concern and need support. As you requested, I will summarize current readiness and sustainability, outline significant achievements in the last year, highlight remaining problems, and discuss the FY 88-89 budget request.

This statement is necessarily general in nature. Details of readiness and sustainability are, of course sensitive data which must be classified for obvious reasons. I have brought with me ample back-up data and details which I will be able to discuss fully in a closed session, if you desire.

SUMMARY OF READINESS

The readiness and sustainability of U.S. Central Command is manifested in the status of units and our ability to keep them supplied in combat.

Army

Our combat units overall are readier to deploy than any time previously. The readiness level of non-major CS/CSS units, especially Reserve Component (RC), continues to be of greatest concern.

Significant equipment shortages in Army CS/CSS units adversely affect the readiness of our Army Component. Of our active CS/CSS units, 12 percent report significant equipment shortages. The problem is even worse in the Reserve, where thirty-five percent of the CS/CSS units apportioned in USCENCOM report significant shortages. While the equipment readiness situation is somewhat better than last

year, low equipment readiness levels continue to severely limit the full accomplishment of USCENTCOM's mission.

Although there is no single "get well" plan for the Army CS/CSS equipment problems, there are some parallel resourcing actions taking place to improve equipment readiness. First, the Army Cross Leveling Program will upgrade some non-combat ready units through equipment redistribution. Second, the Equipment Readiness Code Program will direct selectively procured items to our non-combatant ready, early-deploying units. A third program, the Dedicated Procurement Program, will procure selective equipment exclusively for the Reserve Component. Last, the Army is currently conducting a CS/CSS Management Review which identifies equipment fixes and applies them to the CS/CSS problem. The budget contains \$171 million for equipment for Army CS/CSS units, and preservation of this funding is considered essential to improvement of our CS/CSS readiness.

Personnel

Manning of our Army non-major Reserve Component CS/CSS units with properly trained or qualified personnel is the most significant issue we face in working the issue of personnel readiness in reserve units. Ninety-five percent of our non-major Army Reserve Component CS/CSS units reporting not combat ready cite the lack of trained or military occupational specialty (MOS) qualified personnel as a factor degrading unit readiness. As the chart below depicts, our major concern is that these units make up over 50 percent of our total CS/CSS capability.

USARCENT NON MAJOR UNITS PERSONNEL STATUS

AC/RC UNIT MIX

PERCENTAGE NOT COMBAT READY

●● COMBAT

●●● 56% ACTIVE COMPONENT	0%
●●● 44% RESERVE COMPONENT	0%

●● COMBAT SUPPORT

●●● 47% ACTIVE COMPONENT	18%
●●● 53% RESERVE COMPONENT	40%

●● COMBAT SERVICE SUPPORT

●●● 43% ACTIVE COMPONENT	22%
●●● 57% RESERVE COMPONENT	31%

The chart below is an accurate indicator of the kinds of units with personnel problems. Unfortunately, there are no quick answers or easy fixes to the personnel problems which it displays. Within the military intelligence units, 61 percent of Active Components and 50 percent of Reserve Component units are experiencing personnel problems. Reserve Component chemical, military police and signal units are also experiencing personnel problems. Within CSS units, 43 percent of the Reserve Component maintenance units play a major role in sustaining the force during contingencies. Further, the number and kinds of trained health professionals required in both Active Reserve Components medical units result in the true capability of these units being questionable.

USARCENT NON MAJOR UNITS PERSONNEL

	<u>% AC UNITS NOT COMBAT READY</u>	<u>% RC UNITS NOT COMBAT READY</u>
* COMBAT SUPPORT		
CHEM	61	50
MP	23	37
ENGR	10	38
SIGNAL	0	33
INTEL	61	50
* COMBAT SERVICE SUPPORT		
MAINT	14	43
TRANSPORT	28	30
ORDNANCE	14	29
QM	29	41
MEDICAL	23	25
CIV AFF	0	25
ADJ GEN	0	17
LOG GRP	0	0
FINANCE	0	0

When you look at major reasons units are reporting not combat ready for personnel the results are somewhat surprising. Military occupational specialty qualification is the major reason Reserve Component CS units are reporting not mission capable for personnel.

ANALYSIS OF THE REASONS FOR NONDEPLOYABILITY FOR PERSONNEL (COMBAT SUPPORT)

<u>REASONS</u>	<u>PERCENTAGE NOT COMBAT READY</u>
MOS QUALIFICATION	96%
STRENGTH SHORTAGE	41%
SHORTAGE SENIOR GRADE	35%

NOTE: PERCENTAGES REFLECT SOME UNITS REPORTING FOR MORE THAN
ONE REASON

The same is true of MOS qualification of unit personnel in the reserve component CSS unit. This situation suggests that the personnel readiness issue in CS/CSS units is more than a shortage of people in these units.

**ANALYSIS OF THE REASONS FOR
NONDEPLOYABILITY FOR PERSONNEL
(COMBAT SERVICE SUPPORT)**

<u>REASONS</u>	<u>PERCENTAGE NOT COMBAT READY</u>
MOS QUALIFICATION	94%
STRENGTH SHORTAGE	37%
SHORTAGE SENIOR GRADE	33%

NOTE: PERCENTAGES REFLECT SOME UNITS REPORTING FOR MORE THAN
ONE REASON

Manning Reserve Components CS/CSS units with more trained soldiers is a formidable requirement in improving personnel readiness within these units. The Army is currently operating 4 of 21 Regional Maintenance Training sites (RMTS) it plans to open by FY 91.

These facilities provide direct or general support sustainment and transition training in maintenance military occupational specialties and represent a means for countering the adverse effect the lack of qualified personnel has on personnel readiness within CS/CSS units. Until programs such as the RMTS are fully operational, we will continue to have personnel readiness problems in these units. The President's Budget earmarks approximately \$118 million for this program. With your support, Regional Maintenance Training Sites should make good in-roads into the Reserve Component MOS qualification problem.

Air Force

All forces including air component support forces designated for USCENTCOM are in a satisfactory state of readiness and all are mission capable. Spares availability is robust for the close term. The USAF reports that they are capable of meeting in excess of 95% of their required sorties. This is directly attributable to the excellent funding profiles the USAF has received in past budget years. But, finally, our ability to conduct sustained operations is somewhat hampered by shortfalls in spares, air-to-air missiles, and precision guided munitions. These will be discussed in the sustainability paragraphs.

Navy

All ships reporting to the Middle East Force are operationally ready. Additional amphibious shipping such as the one Landing Ship Dock and the two Landing Ship Helicopter Docks in the FY 88-89 Budget improves our capability to rapidly project combat power. In addition, the recent acquisition of on-board air defense systems has significantly improved the defensive capabilities of the USS LASALLE, COMDEASTFOR's flag ship. In a major conflict, naval forces are provided by the Pacific Fleet Commander as the supporting CINC. The readiness of these forces, as reported by Admiral Hayes in his recent testimony is satisfactory.

Marine Corps

Units continue to maintain their consistently high levels of combat readiness, and periodically deploy and train in the oceans adjacent to the USCENTCOM area. The Maritime Prepositioning Ships (MPS) Squadron TWO, consisting of five uniquely configured cargo ships deployed to Diego Gracia, complements our amphibious lift capability. These ships are combat-loaded with unit equipment and supplies to support a 16,500-man Marine Amphibious Brigade (MAB) for 30 days. This program provides the capability to establish a MAB size force ashore in five days or less. Les-

sons learned through periodic exercises of the MPS have enabled us to refine procedures which continue to improve this relatively new capability.

Special Operations Forces (SOF)

Ranger units and naval special warfare units are fully mission capable. USAF SOF units have experienced readiness degradations due to aging equipment, notably in SOF airlift assets. In this respect, the FY 88-89 Budget will provide 9 MC-130's and 11 AC-130's. It also provides money for the upgrade of MH-53 PAVE LOW helicopters, a program scheduled for completion in FY 90. Finally, it sustains development funding for the CV-22, an SOF mission configured OSPREY.

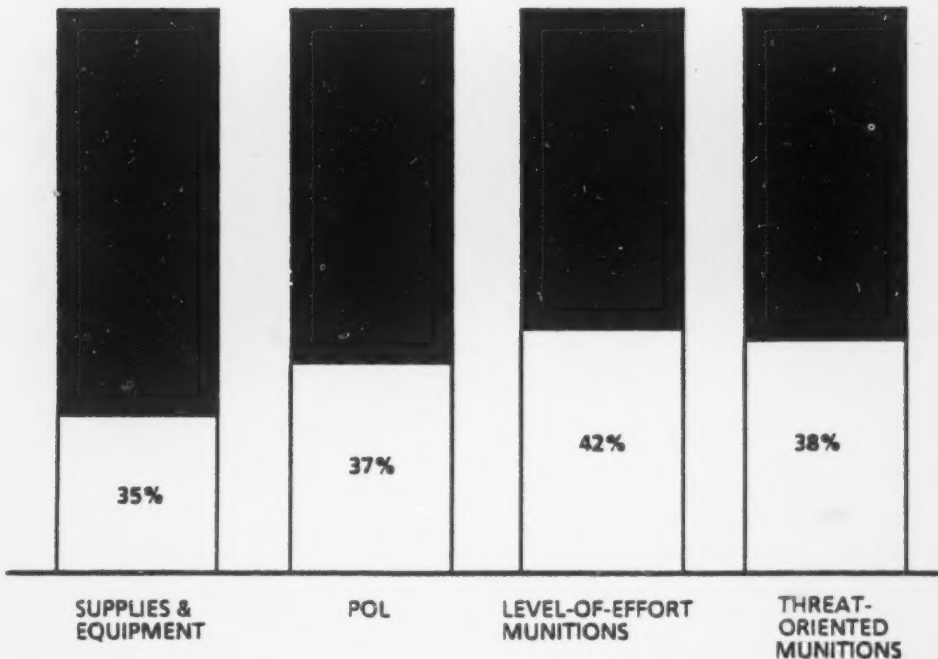
SUMMARY OF SUSTAINABILITY

An essential element for successful force projection is sustainability or the staying power of military forces once they are deployed. The most significant aspect of this element is material sustainability, which is composed of several interdependent elements including theater pre-positioning and CONUS depot stocks.

Shown is our current materiel sustainability posture:

SUSTAINABILITY

TOTAL REQUIREMENT



Supplies and equipment

The first column represents our combined requirements to sustain combat in all supply and equipment classes except munitions and bulk POL. It includes secondary items such as rations, combat clothing, packaged POL, barrier materiel, repair parts and major end items like combat, tactical and other base support vehicles. The 35 percent on-hand total reflects only those items actually owned, controlled or otherwise earmarked specifically for USCENTCOM use. There has been a 2 percent im-

provement in this category since last year. Most of these shortfalls occur within the Army and Air Force Components.

Serious shortages exist in ground forces War Reserve supplies and equipment. The FY 88-89 budget for these sustainability categories is considered minimal in terms of our AOR requirements. We will not attain 50 percent of the requirement for supplies and equipment in either FY 88 or FY 89.

Shortages affecting USCENTCOM's air component are not as acute. Funding in recent budget years has allowed the Air Force to fully fund War Readiness Spares Kits and a large portion of their Other War Reserve Materiel Spares requirements. In terms of capability the Air Force is confident they can meet all their current commitments to USCENTCOM. However, the WRSK/BLSS funding line in the out-year shows a downward trend which will erode these recent gains. FY 88 funding represents 16 percent (\$294 million) of the total requirement of \$1,777 million. Similarly, FY 89 funding has been reduced to 9 percent, or \$226 million funded against a requirement of \$2.5 billion. While these figures represent USAF-wide totals, they are representative of USCENTCOM's air component as well. We note that B-52H WRSK is not funded due to a previous decision to remove this aircraft from its conventional role. It has now been reinstated for this mission, but we are funding and leadtime away from a supportable WRSK. The total requirement is \$465 million.

POL

The second column in the preceding chart displays our status for POL. This represents a 5 percent improvement over last year. Our stockage shortfalls are attributable in large degree to a lack of available storage facilities. We have several ongoing initiatives to obtain leased storage in the area and subsequently improve our sustainability posture. Assuming successful negotiation and full funding, in the next year we should improve our current posture two-fold.

Munitions

Munitions sustainability, as depicted in columns three and four of the chart, includes the aggregate short tons for level-of-effort (LOE) munitions and the quantity of threat-oriented (TO) munitions (such as missiles) needed to sustain USCENTCOM forces. As is readily apparent, our posture is soft.

Shortage of modern munitions continues to pose a major concern because of the long lead times required for procurement and their very high costs. Specifically, the termination of AIM-7 missile production in FY 88 in anticipation of AMRAAM, leaves our Air Force component with less than half of its radar missile requirements. We do not see improvement in this area until the 1990's when quantities of AMRAAM should become available. In addition, our ability to conduct sustained interdiction operations is hampered by near-term shortages in HARM and Maverick missiles, precision guided munitions (GBU 15/AGM 130), and hard target weapons (improved 2000 lb bomb).

Our shortfalls in LOE Munitions are primarily those items needed to support the ground forces. Of concern is the continued shortage of force multiplier or preferred artillery projectiles, TOW anti-tank guided missile, and 25mm Bushmaster-rounds. Continued funding support of procurement of modern munition items is essential to upgrade, expand, and replace selected outdated stockage. I have details on line-items shortages for use in the closed session if you desire.

Water

Finally, not listed above, the world's most sophisticated weapon, the American serviceman, runs on water. For our theater, the supply of potable water is a large element of sustainment of combat.

The Army has recently developed and fielded a new generation of water equipment to support our six million gallon per day need. To support outyear requirements, a nine million gallon per day capability is needed. Present outyear budgeting will support this increased requirement.

Medical

Sustainment of our forces in combat naturally requires a solid medical support base. The number of hospital beds available in-theater is the key yardstick for measuring medical support capability. Today we have 30 percent of the bed requirement available for deliberate planning. During FY 87 the number of available beds will increase, to 42 percent of our requirement. This shortfall would require the evacuation out of theater of two and one-half as many soldiers as would be necessary if all the hospital beds required were available. Replacing these soldiers from CONUS would require five (5) additional C-141 sorties per day. The current program funding

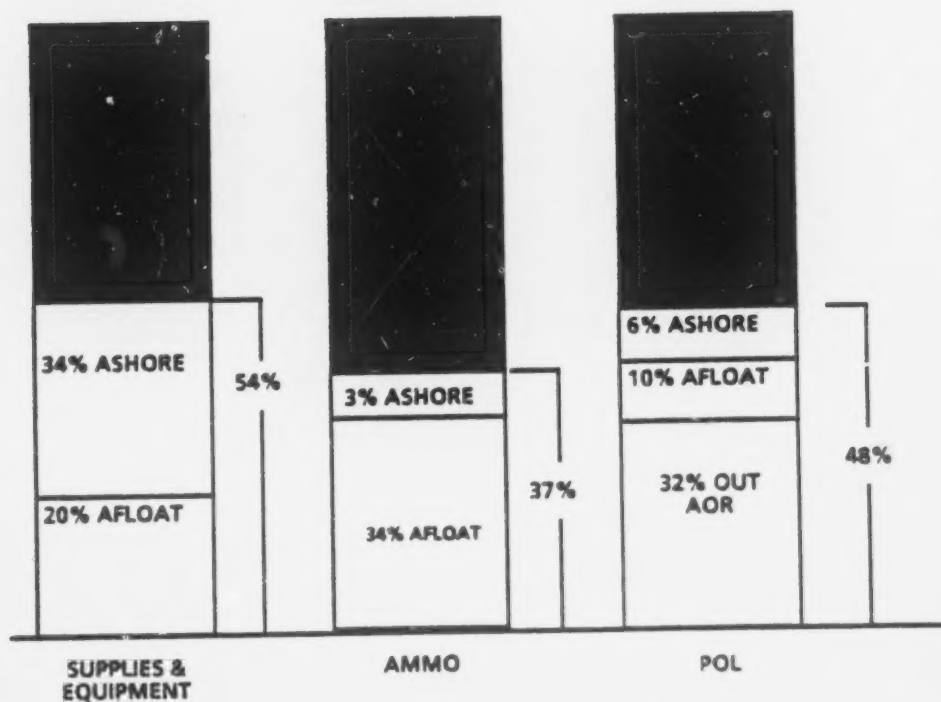
profile will equip all of the hospitalization units designated for Southwest Asia, but not until 1993.

PRE-POSITIONING

Readiness of our forces for initial combat depends on theater-positioned War Reserve Material (WRM) to reduce the need for strategic lift. Effective WRM pre-positioning (PREPO) enhances our ability to rapidly respond during full scale operations and gives us flexibility to employ forces in a limited role. A very important advantage of pre-positioning is that it also is available to support overseas exercises, and considerably reduces our operating costs by decreasing airlift and sealift requirements. Limited PREPO was used during BRIGHT STAR 85 and we plan to expand PREPO use for BRIGHT STAR 87 using assets in two of our sites in the AOR. This use will save us over fifty aircraft sorties which translates to a one-time savings of \$6 million in exercise costs. Thus, we have continued to place a high priority on pre-positioning WRM at, or as close as possible to, its point of anticipated use. We are actively pursuing initiatives with several nations to increase pre-positioning of materiel such as ammunition, POL, medical sets, communications nodes, Army/Air Force base support equipment and Defense Mapping Agency maps and charts.

PRE-POSITIONING

TOTAL REQUIREMENT



Supplies and equipment

One of our more significant pre-positioning improvements is in the area of supplies and equipment. Last year we reported 33% of that requirement pre-positioned, and today we have 54%. This improvement is primarily the result of the continued movement of materiel into Oman where we will maximize capacity of our existing

storage facilities later this year. On 5 February 1987 USCENTCOM signed an agreement with another country to increase our storage of barrier and construction materials, and shipments should start moving this summer. In addition, there are five more shipments scheduled to Oman through June 1987. As reported by General Crist to your full committee, the attitudes toward pre-positioning materiel are becoming more sympathetic in many of our nations, and we expect continued improvement over the year.

Munitions

Most of our Marine Corps, Army, and Air Force missiles and munitions are stored on PREPO ships. Limited amounts of munitions are pre-positioned in theater and CONUS facilities for USCENTCOM use. Our ashore pre-positioning posture in the AOR improved over the last 12 months with the pre-positioning of 9,000 short tons (S/T) in Oman. Further improvement will continue with an additional 5,000 S/T scheduled for shipment this month. As previously discussed with supplies and equipment above, an agreement has been signed to store over 1,000 S/T quantities of munitions in another country. In addition negotiations have commenced to preposition another 11,000 S/T of munitions in the area.

POL

Our pre-positioned POL status since last year has improved by 6.5% as a result of increased port storage in Oman, Djibouti and various Pacific locations. Further improvements will be realized in 1987 through relocation of 1.6 million barrels of fuel to Bahrain. This will triple the amount of POL stored in the AOR. We also anticipate pre-positioning at Diego Garcia a portable ship-to-shore fuel tanker discharge system for use in austere or damaged ports.

Current planning and initiatives should realize improvements in fuel pre-positioning to support our warfighting forces. These future improvements are directly linked to the budget currently before Congress and the associated War Reserve authorization it contains.

MILCON

The USCENTCOM objective for the Military Construction Program in Southwest Asia is to provide a network of dispersed facilities to support pre-positioning of material and predeployment, staging, and employment of U.S. forces. Examples of typical uses of these critical facilities are shown below:

- En route Support
- Staging
- Logistic Support
- Pre-positioning
- Fleet Support
- Support of Overseas Training and Exercises
- Communications, Command and Control

Significant progress has been made with completion of projects in Kenya, Somalia, and Diego Garcia, which now gives us the capability to support airlift operations, warehouse pre-positioned supplies and equipment, conduct P-3 air operations, and provide en route support. Past budgets of \$1.1 billion have allowed us, among other things, to build a support base in Oman which is now nearing completion. Also, our \$125 million en route support requirement at Lajes and Morocco will be completed with the Congressionally appropriated FY 87 program. In all, our essential facilities throughout the AOR are estimated to cost approximately \$1.4 billion. Congress has already funded about \$1.1 billion of that total or 78 percent of the USCENTCOM requirements.

We need your continued support over the next five years for \$300 million which is needed primarily for staging and pre-positioning facilities. In FY 88, we are asking for \$35.1 million primarily for additional staging support and maintenance in Diego Garcia and for airfield enhancements, communications facilities, and additional pre-positioning storage and support in Oman.

The \$32.9 million in the FY 89 MILCON program is highlighted by two significant Army programs: as Intermediate Staging Facility (ISF) and a theater war reserve pre-positioning facility. Both of these projects are the first of their kind for the Army in our AOR and will represent a significant improvement to our ability to quickly project and sustain our combat forces. The ISF will provide a location where forces can assemble, complete planning, and prepare for commitment to the combat zone. The storage facility will allow us to pre-position supplies and selected equip-

ment for an Army division. Plans to use these sites for periodic training will also substantially decrease exercise air and sealift costs.

Congressional desires to fund only the most critical overseas MILCON projects, are fully appreciated. USCENTCOM is examining or utilizing all possible alternatives, such as host nation support, commercial leasing, relocatable assets, and, when economically feasible, build-to-lease arrangements.

FY 88-89 BUDGET SUMMARY

The FY 88-89 budget request offers the Congress the opportunity to continue to improve the readiness and sustainability of USCENTCOM. The critical areas described below deserve your serious consideration and support.

Supplies and equipment

We believe that supply and equipment sustainability is vital, and, while minimal, current funding levels requested are essential.

Munitions

The FY 88-89 budget will improve our allocation of HARM missiles by 21 percent and Maverick missiles by 9 percent. Your support of the budget submission of \$1.2 billion for AMRAAM, \$1.9 billion for HARM, and \$293 million for Maverick is essential to alleviate critical shortages. Similarly, support is also needed for the \$131 million for the powered GBU-15 and \$64 million for the improved 2000 lb bomb. In addition, \$4.0 billion in the FY 88-89 budget for Army ammunition will improve our allocation of level-effort (LOE) munitions and provide us with 67 percent of our requirement.

POL

Your support of the \$160.8 million in the FY 88-89 budget is essential for us to consummate several ongoing and promising commercial and government-to-government negotiations for increased fuel reserve storage in the AOR. This requested funding represents a 32 percent increase in sustainability which equates to an overall attainment of 69 percent of our total theater objective.

Water

The FY 88-89 Presidential Budget will allow USCENTCOM to keep pace with increasing outyear water supply requirements. Major equipment items in the FY 88-89 budget will buy 100 new generation 3000 Gallon Per Hour (GPH) Reverse Osmosis Water Purification Unit (ROWPU) units. These units will replace the present 1500 and 3000 GPH Erdlators which are difficult to maintain due to obsolescence. The 3000 GPH ROWPU will add the capability to remove chemical warfare agents or radiological contaminants from a water source whereas, the Erdlators cannot. In addition, the budget request will provide 26 additional Tactical Water Distribution System (TWDS) systems which give us 260 miles of inland water distribution capability. This additional TWDS capability, when married with various existing transportation assets, will more than double the range over which water can be distributed inland.

Medical

Unit shortfalls

The lack of organizational equipment for Army Reserve Hospital Units is addressed in the FY 88-89 budget for Deployable Medical Systems. The FY 88-89 budget provides for \$469 million for the Deployable Medical Systems programs. This will provide equipment for six (6) of the eight (8) hospital units totaling 2400 beds in FY 91, thus improving current non-deployable status for equipment for these units.

Medical airlift

Airlift also includes the requirement to evacuate patients to treatment facilities that can provide the required care. Aeromedical evacuation is the only effective means of moving sick and wounded personnel from the combat theater to the rear area medical treatment facilities. As part of the Civil Reserve Air Fleet (CRAF), the Air Force has a program which will provide dedicated civilian aircraft to help meet our aeromedical evacuation needs, thereby C-141 aircraft for hauling cargo. In FY 88-89, 61 Boeing 767's are programmed to receive conversion kits which will allow us to equip each with litters, stanchions, patient oxygen, and a nurse's station. The FY 88-89 budget contains \$31.5 million for this essential program.

MILCON

The FY 88 MILCON program will provide \$35.1 million primarily for additional staging support and maintenance in Diego Garcia and for airfield enhancements, communications facilities, and additional pre-positioning storage and support in Oman.

The \$32.9 million in the FY 88 MILCON program is highlighted by two significant Army programs: a brigade size Intermediate Staging Facility (ISF) and a theatre war reserve pre-positioning facility. Both of these projects represent a significant improvement to our ability to quickly project and sustain our combat forces. We will also be able to use these sites and stocks for periodic training which will also substantially decrease peacetime exercise air and sealift costs.

Senator DIXON. Thank you, General Patte. General Stapleton.

**STATEMENT OF BRIG. GEN. JOSEPH K. STAPLETON, DEPUTY
DIRECTOR OF OPERATIONS, U.S. READINESS COMMAND**

General STAPLETON. I appreciate the opportunity to appear before this distinguished group, and respond to your expressed areas of identified interest relating to the U.S. Readiness Command.

Since Deputy Secretary of Defense Taft's direction in November 1984 to enhance the role of the combatant commanders, or CINCs in the Planning, Programming and Budget System, or PPBS, three positive actions have been taken within the Department of Defense.

First, the CINCs were authorized to submit an integrated priority needs list.

Second, the services were directed to report in their Program Objective Memorandum, or POM, the extent of funding support for each of the CINCs priority requirements.

Third, the CINCs were given authority to take exception to service POMs by authoring issues for consideration during the program review by the Defense Resources Board. While the POM development continues to be a service responsibility, increased CINC participation has resulted in closer coordination at all levels, greater cooperation among the services, and more senior leadership involvement throughout the process. Ultimately, these improvements will provide each CINC the best mix of forces, equipment, and support attainable within fiscal realities.

Regarding those issues identified in the letter from Senators Dixon and Humphrey concerning how the areas of the President's fiscal years 1988 and 1989 Defense authorization request, and the 5-year defense program, or FYDP, meet the specific needs of the U.S. Readiness Command's assigned forces, I must emphasize that the services have just recently received the revised data required to update the FYDP for the President's fiscal year 1988 budget submission to Congress.

The full impact on U.S. Readiness Command programs is still being analyzed. My remarks this afternoon will be relatively brief, primarily because of the excellent manner in which the Army, the Air Force, and the Navy have responded to our prioritized war-fighting requirements.

From a Readiness Command perspective, this cycle of budget and POM building has demonstrated clearly that the attendant process of interaction among the unified commands, assigned components and service staffs is working well.

The programming cycle has featured accurate, timely, and mutually beneficial exchanges of planning and programming information with responsive, positive feedback provided by the military departments to the U.S. Readiness Command throughout the PPBS process. As you would expect, readiness and sustainability are two categories of priority concern to the U.S. Readiness Command.

This command is quite satisfied with improvements in force readiness achieved to date. The readiness status of our assigned forces, Army Readiness, or ARRED Command, Air Force Readiness, or AFRED Command, has shown continued, steady improvement over the past year, due to the emphasis on readiness programs in the budget process, supported by the services and the Congress.

To highlight just a few of the important readiness programs, ARRED units are rapidly equipped with the modern M1A1 Abrams tank. Such modern, reasonably maintainable equipment is the key to continued high levels of readiness.

Equipment procurement, such as the F-16, contribute significantly to overall readiness of assigned AFRED units. Newer, easier to maintain modern aircraft are essential to increased unit effective, both in maintenance and piloting.

ARRED forces continue to report high readiness rates, with 93 percent of the units reporting combat ready, against, last year's rate of 91 percent.

AFRED units continue to report a high percentage of combat ready units, with 96 percent, up from 88 percent a year ago.

As for the percentage of ARRED and AFRED units that are reporting the highest levels of combat readiness, significant improvement has been made, up to 85 percent overall, against 76 percent last year. Despite this encouraging trend in readiness improvement, Army forces still have shortages in common equipment, and noncommissioned officers in selected carrier management fields.

Additionally, if the current OPTEMPO rate is not increased to the requested level, there could be an adverse impact over the FYDP on the training readiness of our assigned forces. War readiness spares kits shortages continue to affect Air Force forces.

In regard to sustainability, I should reiterate that the U.S. Readiness Command is not assigned theater warfighting responsibilities per se, and therefore has no sustaining stocks or theater reserves. Thus, the issue of sustainment of our assigned combat forces is most appropriately addressed by the sustaining theater commanders to whom we deploy forces.

However, in the more general area of sustainability from Army and tactical Air Forces, as supported by the fiscal years 1988 and 1989 President's budget and FYDP, U.S. Readiness Command is concerned about certain shortages and specific issues.

The inadequate funding by the Air Force of its wartime spares requirements represents a reversal in an overall improvement trend, which if not fully funded, will result in a serious decline in sustainability over the entire FYDP. While the Army has programmed to increase its overall stockage levels for major end items and spares, it will still fall short of current planning guidance.

Moreover, under current funding profiles, while the Army increases its stocks overall, it will be faced with continuing critical shortages, particularly in the area of preferred munitions.

Our wartime shortage of strategic lift is cause for concern. This shortage, coupled with the long distances involved in deploying forces, compounds the sustainability problems for gaining theater commanders.

Increasing the numbers of airlift aircraft will provide the ability to deliver U.S. Readiness Command's assigned units to the world's trouble spots in minimum time. And after the tension or conflict is terminated, a smooth, rapid withdrawal can be executed, using the same aircraft.

The U.S. Readiness Command considers the area of procurement of increased numbers of airlift aircraft, such as the C-17, to be a high priority in the strategic lift equation.

The Navy continues to reduce the projected sealift shortages, through the expansion of the Ready Reserve Force, which will be augmented by commercial container ships in national emergencies.

One of the most cost-effective methods of providing additional wartime sealift, is to continue procurement of adequate quantities of universal adapters, sea sheds and flat racks for converting container ships to militarily useful configuration.

Likewise, the Army has done well in responding to the strategic lift requirements, by fully resourcing its logistics-over-the-shores and cargo throughout systems.

Readiness Command's assigned units are at the highest state of peacetime readiness in history. As funding has been applied by the services, the ability to carry out wartime tasking has unquestionably increased.

If resources are reduced below a prudent sustainment level, then readiness, will, of necessity, suffer. Continued congressional support of readiness and sustainability programs is essential.

Although the full implications of the Goldwater-Nichols DOD Reorganization Act of 1986 are not known, CINC involvement in the PPBS process has been positive and fully supported by the services. With the support of Congress, the services have done an extraordinary job in allocating resources to the forces assigned to the U.S. Readiness Command.

Readiness and sustainability continue to improve, but at a slower rate, due to the overall fiscal constraints. Even though we are not getting everything we need, the fiscal years 1988-1989 President's budget will provide the balanced air, ground, and sea support required.

Thank you, Mr. Chairman, for the opportunity to appear before your subcommittee.

[The prepared statement of Brigadier General Stapleton follows:]

PREPARED STATEMENT OF BRIG. GEN. JOSEPH K. STAPLETON, DEPUTY DIRECTOR OF OPERATIONS, U.S. READINESS COMMAND

Mr. Chairman, members of the subcommittee. I welcome this opportunity to speak to you and respond to your questions. Your work is of fundamental importance to US national interests and to the responsibilities of the United States Readiness Command (USREDCOM). USREDCOM ensures the combat readiness of the assigned central reserve of conventional forces based in the continental United States (CONUS). The central reserve includes active and reserve units. The active units are assigned to USREDCOM while the reserve units remain assigned to the military departments until mobilized. This testimony will concentrate on USREDCOM-assigned forces.

Since Deputy Secretary of Defense Taft's direction in November 1984 to enhance the role of the combatant commanders (CINCs) in the Planning, Programming and Budgeting System (PPBS), three positive actions have been taken within the Department of Defense (DOD). First, the CINCs were authorized to submit an Integrated Priority List (IPL) displaying priority needs. Second, the Services were directed to report in their Program Objective Memoranda (POM), the extent of funding support for each IPL requirement. And third, the CINCs were given authority to take exception to Service POMs by authorizing issues for consideration during the Program Review by the Defense Resources Board. While the POM development continues to be a Service responsibility, increased CINC participation has resulted in closer coordination at all levels, greater cooperation among the Services and more senior leadership involvement throughout the process. Ultimately, these improvements will provide each CINC the best mix of forces, equipment and support attainable within fiscal realities.

USREDCOM ROLE

USREDCOM is a command of almost a quarter million men and women organized to accomplish a mission set comprised of three distinct categories: First, we have global responsibilities which include deploying combat-ready forces to reinforce the regional combatant commanders in overseas theaters; second, there are functional responsibilities such as the development of joint tactics, techniques and procedures and the conduct of joint training, which, in many instances, interface with and overlap the individual Service functions; and finally, regional responsibilities which require us to plan for several contingencies within North America. This reflects not only the uniqueness of our assigned mission set, but also the fact that successful execution of the deterrent and warfighting missions assigned to the regional CINCs is very much dependent on the proper accomplishment of our missions in support of their war plans

USREDCOM MISSIONS

Provide combat-ready conventional forces as a strategic reserve for rapid reinforcement of other unified and specified commands worldwide.

Provide a joint task force headquarters, forces, and contingency planning for the conduct of military operations in selected areas.

Develop joint tactics, techniques, and procedures.

Conduct joint training of assigned forces.

Assist civil authorities in protecting key assets.

Combined Canada-United States Land Operations Plan.

Plan Land Defense of Alaska.

The forces needed to execute USREDCOM's missions include both Army and Air Force components. Our Army component, United States Army Forces, Readiness Command (USARRED), is headquartered at Ft McPherson, Georgia. USARRED provides forces consisting primarily of three corps headquarters, eleven combat divisions, three separate brigade, three Special Forces groups and one Ranger regiment. Our Air Force component, United States Air Force Forces, Readiness Command (USAFRED), is located at Langley Air Force Base, Virginia. USAFRED provides forces consisting primarily of two numbered Air Force headquarters and 54 tactical combat organizations.

USREDCOM assigned forces

USARRED Forces

Corps HDQ's, 3
Combat divisions, 11
Nondivisional Brigades, 3
Special forces groups, 3
Ranger regiment, 1

USAFRED Forces

Numbered AF HDQ's, 2
Tactical fighter SQ's, 14
Command & control SQ's, 14
Electronic warfare SQ's, 2

As you are aware, the military departments "build, maintain and sustain the forces," whereas the CINCs "fight the forces." Since the majority of CONUS-based active Army and Air Force general purpose forces are assigned to USREDCOM, it is our responsibility to ensure that these forces are fully ready to augment or reinforce the other unified commands when directed by the National Command Authorities.

FISCAL YEAR 1988/89 DEFENSE AUTHORIZATION IMPACT ON USREDCOM

Regarding those issues identified in the letter from Senators Dixon and Humphrey concerning how the areas of the President's fiscal year 1988/89 Defense Authorization request and the Five Year Defense Program (FYDP) meet the specific needs of USREDCOM assigned forces, I must emphasize that the Services have just recently received the revised data required to update the FYDP for the fiscal year 1988 President's Budget submissions to Congress. The full impact on USREDCOM programs is still being analyzed. I am, however, prepared to speak to you on how USREDCOM's priority requirements were supported.

My remarks this afternoon will be relatively brief primarily because of the excellent manner in which the Army, Air Force and Navy have responded to USREDCOM's prioritized warfighting requirements. From a U.S. Readiness Command perspective, this cycle of budget and POM building has demonstrated clearly that the attendant process of interaction between the unified commands and assigned components and the Service staff is working well. The programming cycle has featured accurate, timely and mutually beneficial exchanges of planning and programming information with responsive positive feedback provided by the military departments to the US Readiness Command throughout the PPBS process.

READINESS/SUSTAINABILITY POSTURE

As you would expect, readiness and sustainability are two categories of priority concern to USREDCOM. This command is quite satisfied with improvements in force readiness achieved to date. The readiness status of USREDCOM-assigned Army and Air Force forces has shown continued, steady improvement over the past year due to emphasis on readiness programs in the budget process, supported by the Services and the Congress. Significant congressional action last year increased, from 100,000 to 200,000, the Presidential authority to augment active forces with selected reserves and further enhances the reserve components' ability to support USREDCOM's assigned active combat forces.

USREDCOM-assigned Army forces continue to report high readiness rates. USARRED units are rapidly equipping with the modern M1A1 Abrams tank. Such modern, reasonably maintainable equipment is the key to continued high levels of readiness.

<u>M1A1 TANK</u>			
	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
DEVELOPMENT			
\$MIL	31.3	54.3	46.0
PROCUREMENT			
QUANTITY	800	600	534
\$MIL	1,799.3	1,510.7	1,361.3

Source: DOD annual
report to
Congress.

USAFRED units continue to report a high percentage of combat-ready units, at 96 percent, up from 88 percent a year ago. Equipment procurements, such as the F-16, contribute significantly to overall readiness of assigned AFRED units. Newer, easier to maintain, modern aircraft are essential to increased unit effectiveness both in maintenance and piloting.

F-16 AIRCRAFT

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
DEVELOPMENT			
\$MIL	54.9	36.5	23.6
PROCUREMENT			
QUANTITY	180	180	180
\$MIL	2,952	2,885.2	3,416.7

SOURCE: DOD annual
report to
Congress.

As for USARRED and USAFRED units that are reporting the highest levels of combat readiness (C-1 or C-2), significant improvement has been made over last year. Despite this encouraging trend in readiness improvement, Army forces still have shortages in common equipment and noncommissioned officers in selected career management fields, while War Readiness Spares Kits (WRSK) shortages continue to affect Air Force forces.

In regard to sustainability, I should reiterate that USREDCOM is not assigned "theater" warfighting responsibilities per se, and therefore, has no sustaining stocks or theater reserves. Thus, the issue of sustainment of USREDCOM-assigned combat forces is most appropriately addressed by the gaining theater commanders to whom we deploy forces for their employment.

However, in the more general area of sustainability for Army and tactical Air Forces as supported by the fiscal year 1988/89 President's Budget and FYDP, USREDCOM is concerned about certain shortages and specific issues. The inadequate funding by the Air Force of its wartime spares requirements represents a reversal in an overall improvement trend, which if not fully funded will result in a serious decline in sustainability over the entire FYDP. While the Army has programmed to increase its overall stockage levels for major end items and spares, it will still fall short of current planning guidance. Moreover, under current funding profiles, while the Army increases its stocks overall, it will be faced with continuing critical shortages, particularly in the area of preferred munitions.

USREDCOM-assigned units are at the highest state of peacetime readiness in history. As funding has been applied by the Services, the ability to carry out wartime tasking has unquestionably increased. If resources are reduced below a prudent sustainment level, then readiness will of necessity suffer. Continued congressional support of readiness and sustainability programs is essential.

A strong central reserve (active and reserve forces) is a basic element of U.S. military strategy. Moreover, balanced, responsive strategic mobility forces are the foundation of USREDCOM's ability to globally project the central reserve of CONUS-based Army and Air Force conventional forces. Our wartime shortage of strategic lift is cause for concern. This shortage, coupled with the long distances involved in deploying forces, compounds the sustainability problem for gaining theater commanders.

**Department of Defense
Airlift and Sealift Forces Highlights**

	<u>FY 1980</u>	<u>FY 1984</u>	<u>FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Intertheater Airlift (PAA)^a						
C-5A	70	70	66	66	66	66
C-5B	—	—	5	14	32	44
C-141	234	234	234	234	234	234
KC-10A	—	25	48	57	57	57
C-17	—	—	—	—	—	—
Intratheater Airlift (PAA)^a						
Air Force						
C-130	482	520	504	559	521	513
C-123	64	—	—	—	—	—
C-7A	48	—	—	—	—	—
Navy and Marine Corps						
Tactical Support	97	95	88	88	92	92
Sealift Ships, Active						
Tankers	21	21	24	20	20	20
Cargo	23	30	40	41	41	41
Reserve^b	26	106	122	135	144	151

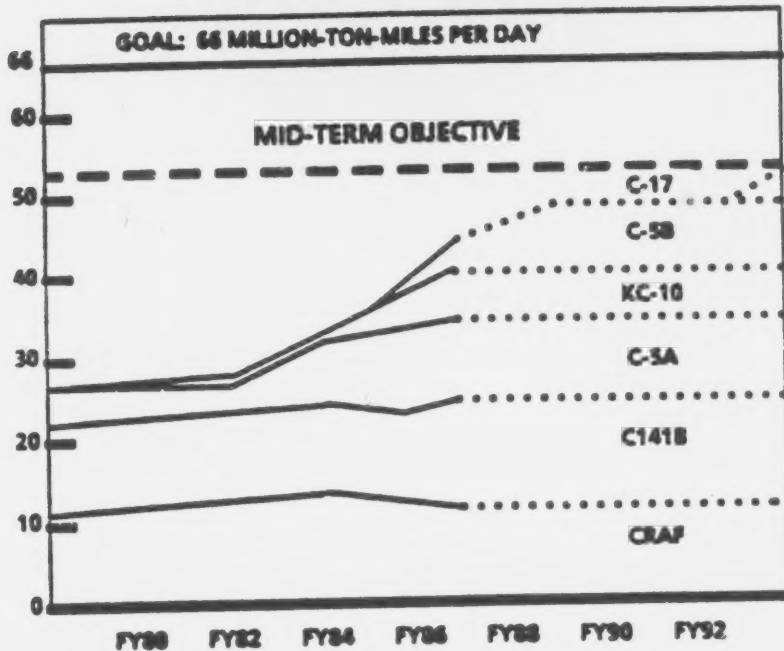
^aPAA = Primary Aircraft Authorized

^b = Includes useful National Defense Reserve Fleet ships and the Ready Reserve Force

SOURCE: DOD annual
report to
Congress.

During the past year, the mobility means by which to deploy USREDCOM forces by both air and sea have improved. The C-5 wing modification (to be completed in 1987) and C-141 stretch (completed in 1982) programs, along with the procurement of increased stored spare parts, funding for procurement of an additional 50 C-5B aircraft and 57 KC-10s (to be completed in 1987), and enhancements in the capabilities of the Civil Reserve Air Fleet have increased airlift capability from 26.9 million-ton-miles-per-day (MTM/D) in 1981 to 39.6 MTM/D today, or 60 percent of our nation's 66 MTM/D airlift goal.

STRATEGIC AIRLIFT



The Navy's sealift force projection capabilities have also been strengthened by the procurement of eight fast-sealift ships, expansion of the Ready Reserve Force from 27 to 82 ships since 1981, the continued acquisition of Auxiliary Crane Ships (TACS) and container ship conversion hardware, and the deployment of three Maritime Pre-positioning Ship squadrons. The Army has done well in responding to its strategic lift requirements by fully resourcing its logistics-over-the-shore and cargo throughput systems. In fiscal year 1987, with the support of Congress, our combined sealift fleets will be able to carry 85 percent of the nation's one million ton goal of unit equipment in a single voyage.

STRATEGIC SEALIFT

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
READY RESERVEFORCE			
PROCUREMENT			
QUANTITY ^a	13	2	6
\$MIL	77.8	43.4	35.4
FLAT RACKS AND SEA SHEDS			
PROCUREMENT			
QUANTITY	1,537	1,276	77.9
\$MIL	56.3	46.5	49.6
SEALIFT DISCHARGE			
PROCUREMENT			
\$MIL	61.9	55.5	55.8

^a Quantity may vary depending on actual unit costs at time of purchase.

Despite such improvements, significant shortfalls remain in our strategic deployment posture and will persist into the next century. Stretchouts in the acquisition and deployment of the full C-17 capability, including a strategic direct-delivery capability not currently available, will significantly limit USREDCOM's ability to rapidly deploy and redeploy forces.

C-17 AIRCRAFT

	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
DEVELOPMENT			
\$MIL	628.2	1,219.9	982
PROCUREMENT			
LEAD ITEMS ¹	49.1	39.5	93.7
QUANTITY	0	2	4
\$MIL	-	684.2	1,000.0

1. Includes spares.

SOURCE: DOD annual
report to
Congress.

Increasing the numbers of airlift aircraft will provide the ability to deliver the CONUS-based central reserve to the trouble spots in minimum time. And after the tension/conflict is terminated, a smooth, rapid withdrawal can be executed using the same aircraft. USREDCOM considers the early procurement of increased numbers of airlift aircraft, such as the C-17, to be a high priority in the strategic lift equation.

Strategic sealift continues to be the bread and butter for accomplishing the long-term resupply mission. As a conflict protracts, resupply lines are best established using ships. In the past, the U.S. maritime industry could be relied upon to provide the additional bottoms for long-term resupply. Today, the Navy will have to look

elsewhere for the additional capacity should crises demand. Follow-on unit equipment-capable sealift programs are vital to meet future strategic sealift force projection requirements.

CONCLUSION

Although the full implications of the Goldwater-Nichols DOD Reorganization Act of 1986 are not yet known, CINC involvement in the PPBS process has been positive and fully supported by the Services. With the support of Congress, the Services have done an extraordinary job in allocating resources to the forces assigned to U.S. Readiness Command. Readiness and sustainability continue to improve, but at a slower rate due to overall fiscal constraints. Even though we are not getting everything we need, the fiscal year 1988/89 President's Budget will provide the CINCs with the balanced air, ground and sea support required.

Thank you, Mr. Chairman, for the opportunity to appear before your subcommittee.

Senator DIXON. Thank you, General Stapleton. Gentlemen, General Stapleton mentioned in his statement the integrated priority list that the CINCs submit as part of the development of the annual defense budget. I would like very much for each of you to give us some indication this afternoon of the items on the integrated priority list which your command submitted, during the development of the 1988 and 1989 defense budget.

What did you ask for, and how much of what you asked for is actually in the defense budget now before the Congress? General Craig.

General CRAIG. Sir, in responding to the question, in European Command's integrated priority list, the No. 1 priority is to remove the European troop strength ceiling. Personnel is the No. 1 item on this list, the taking care of our people. In order to do so, removing the troop strength ceiling was one of the things that would help most.

Next, we want to hold the line on any kind of readiness cuts. We wanted readiness and sustainability protected. Particularly, we requested significant support for the combat service, combat service support enhancements that were required to adequately support the in-being and reinforcing units.

We asked for continued support for the three balanced elements that are necessary to meet our force deployment commitment to NATO, i.e., needed air and sealift improvements, pre-positioning, continuing the re-positioning program, and of course, supporting the infrastructure construction that is necessary to accompany the pre-positioning.

And last, support for our in theater goal of being able to meet a 30-day casualty treatment capability. Which would, in actuality decrease the airlift and replacement requirements.

Those are the key things, sir, that were on our IPL.

Senator DIXON. And I will ask you, General, how you feel the defense budget now before us responds to those integrated priority lists that you have just given us.

General CRAIG. Well, of course, as I indicated in my prepared statement, we do not have the final breakout of all aspects of the budget on European Command. We do not have the ability to check and see what the 1986 and 1987 budgets are really going to bring to our hoppers. But in our assessment, we felt that there is a balanced approach among the four main pillars of modernization, readiness, sustainability and force structure. So as of now, we do not have a

quarrel with the balance of that budget. We will have some comments in specific areas, but we are still working on those.

Senator DIXON. General Patte, would you answer the same question?

General PATTE. Yes, Mr. Chairman. In the area of sustainment and readiness, we at CENTCOM asked for 12 generic issues, if you will. War reserve material, pre-positioning of supplies, major items of equipment, munitions, petroleum products, water systems for the Southwest Asian environment, airlift, sealift, distribution systems for petroleum, en route support, intra-theater mobility, and a fix to the combat service support unit problem I alluded to earlier in my testimony.

I guess a good answer would be, we got some of most of those items. And I would be prepared to show you in days of supply in closed session if you permit, Mr. Chairman, what the effect the budget does on our current posture. I do have details on that but I must do that in closed session.

I can tell you what we would have liked.

Senator DIXON. Pardon me. Senator McCain.

Senator MCCAIN. Mr. Chairman, the witnesses, I think, are asking for a laundry list of things that we all would support. But I think it would help this committee if we were told how much of each of these requirements were fulfilled.

It is nice to know that we are going to have petroleum, for example.

Senator DIXON. If you are prepared to do that orally now, we were certainly going to follow-up, Senator, with written questions on all of their itemizations and the things on their integrated priority list to see what they asked for and what the budget did. If you are prepared to do that, item by item as indicated by Senator McCain, that would be very helpful. I got the impression General Craig was not quite prepared to do that at this point. Are you, General Patte?

General PATTE. I am in some detail, but again, I would prefer that in closed session, if you will permit, because I would be talking about days of supply.

Senator DIXON. How about you, General Stapleton?

General PATTE. If I might finish my statement, Mr. Chairman.

Senator DIXON. But if I may interrupt. I think when we go into the classified session later, that will give all of you time to be prepared. If we can walk down that list, what you asked for and what you got, I think that is a very good point, Senator, and it would be helpful to have it now.

General PATTE. We would have liked, which we did not get, we would have liked more war reserve material, particularly major items for the Army.

We are roughly 5 percent of our requirement, as far as major items. That is to say trucks, vehicles, radios, those kinds of things. We would have liked more war reserve material for the Air Force spares kit. The budget asks for 16 percent of the actual requirement. And we would have preferred, obviously, more in that area.

That is the end of my prepared statement in the open session. I would be ready for much more detail in the closed session.

Senator DIXON. Thank you. General Stapleton, the same question, what your list was, and what you got.

General STAPLETON. Yes sir, Mr. Chairman. Our No. 1 item, or issue, was the improved readiness of the assigned combat forces, a joint warfare center, and a reduction of the WRM shortfall. That was our major item.

Senator DIXON. When we go into the classified session we will return to all of that. Now we are going to follow the early bird procedure here. The committee voted to do that.

Senator McCain, you are recognized under a 6 minute limitation.

Senator MCCAIN. Thank you, Mr. Chairman, and I look forward to the answers in closed session, but I do not think we can get a good understanding of what the requirements are unless we have some understanding of the amount that was received as opposed to the amounts requested. Commanders in the field often ask for more than they have a realistic expectation of receiving. I understand that. But if they are significantly lower than what was requested or judged as requirements by the CINCs, I think we ought to have a look at it.

UNITED STATES FORCES IN JAPAN

General Patte, how critical are United States forces in Japan, to the execution of CENTCOM's missions? Could you be specific?

General PATTE. Senator, we rely, to a very slight degree, on some warehousing there, in the Pacific Command area, although we preferred it obviously closer by. This is an interim measure only. And a certain amount of retrofit, if that is the proper term, of some of our Marine pre-positioning shipping is taking place in the naval yards belonging to the Army and contracted by the Army in Japan.

That is the extent to which they help us out in the Southwest Asia area.

TROOP STRENGTH CEILING

Senator MCCAIN. Thank you. General Craig, on page 8 you call for a repeal of the European troop strength ceiling. You state that it affects modernization efforts in the theater. Could you elaborate on how this impacts you?

General CRAIG. Yes, I will sir. The absolute number of 326,414 as a ceiling in the theater, we think is an arbitrarily derived number.

Senator MCCAIN. Agreed.

General CRAIG. In essence, what it does sir, it means that for example, when we bring GLCM into the theater, which is in fact what we are doing, we are adding a nuclear capability. The only way we can do that is to take conventional forces out of the theater.

We are up to some 8,000 people that have been added to the theater to support the GLCM mission. We have had to offset GLCM growth by exporting or deferring planned deployments of conventional capability out of the theater. In other words, it has the net effect of actually lowering the nuclear threshold at a time that we are trying to put pressure on the allies to get them to do more conventionally so that we can raise the nuclear threshold.

That is one of the key areas.

Correlary areas, as with our other systems that we are wanting to modernize, for example, bringing over our MC-130s, special operations aircraft, our other weapon systems that we are looking to bring into the theater in the future. The only way we are going to be able to do that is take out needed combat capability, which we hate to lose.

In essence, it at times puts General Rogers in the position of having to choose among his children. Having to decide which of all these needy capabilities that he is going to have to decide to export.

Senator MCCAIN. Well, General, if we removed GLCM and Pershing missiles from Europe, how many people would that allow us to remove?

General CRAIG. I would like to provide that for the record.

[The information follows:]

The exact number of military authorizations associated with Pershing II and GLCM units by end fiscal year 1989 as 14,141.

Senator MCCAIN. I think that is fine. Just let me take some exception to your statement. I was always hopeful, as most of us were that we could modernize our Armed Forces, we can reduce the manpower required rather than increase. In fact, most of the weapons systems sold over here are sold on the basis that less maintenance is required, therefore less personnel. So I would hope that perhaps, as we modernize our forces, we would be able to reduce the number of people rather than adding people as we do. You see the logic of that?

General CRAIG. I certainly do, Senator. However, there are some circumstances that we are talking here, where we are talking new capabilities that have been added to the theater.

For example, the TR-1 aircraft. The ASARs, the kinds of capabilities that have not existed in the past. So rather than replacing some antiquated function, we are in actuality bringing to the theater a capability that we have not had.

Now, in such instances where we are looking to the future to bring an F-15E into the theater, clearly the aircraft that we will be leaving, for example, the older F-4s that are leaving, are more manpower intensive and there will be a savings associated with fielding an F-15E kind of aircraft in the theater.

NATO ALLIES

Senator MCCAIN. Thank you. Finally, General Craig, what is your assessment of, not of our readiness, but of our NATO allies? I am particularly referring to that of the smaller allies. Not Great Britain and FRG, but the Belgians, the Dutch, et cetera. What is your assessment of their readiness?

General CRAIG. Sir, I can only report hearsay, because I strictly work at Headquarters European Command, and therefore U.S. only forces in my role. I will give you my hearsay type assessments.

I know that some have expressed concern at times, not over their ability to do their job, but of course the rates at which they have bought supplies, at which they are stockpiling, and perhaps the rates at which, the amount of stockpiles that they have accumulated for sustainment.

Whereas I know there is concern in some areas in that regard, I would defer to General Rogers and his SACEUR perspective to be more specific.

Senator McCAIN. Thank you, Mr. Chairman.

Senator DIXON. Senator Wirth.

Senator WIRTH. I think Senator Thurmond was here first.

Senator DIXON. Well, we were following the policy of going back and forth. But I will recognize Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman. General Craig, last spring I met with the various commanders of the major subordinate commands of the European Command. While great progress has been made in improving our combat capability, I was disturbed by the projected funds in our readiness posture. In most cases our readiness and sustainability was projected to decline during the 5 year defense plan, even if Congress fully funded the plan as submitted by President Reagan.

What will happen to our readiness and sustainability if there is no real growth at all during the current 5 year defense plan?

General CRAIG. Sir, we in European Command have stated that a 3 percent real growth to maintain an upward slope is absolutely essential to continue to improve our conventional capability required in the face of the threat. We feel that we become at risk. If we start to allow our depot backlog to build up, when we forgo some of those fundamental housekeeping, maintenance kinds of tasks. If we start to get in arrears, and the rate at which we buy spare parts, we foresee a snowballing kind of effect that ultimately will put us on a slippery slope downward, which will make it very difficult to recover.

But, I am giving you the European Command statement of what is needed to maintain our capability in that theater.

Senator THURMOND. Well, what do you think?

General CRAIG. Sir, I agree with this assessment. I lived through the period, and I owned a wing in 1979 and 1980, at a time that I think we were dangerously short of spare parts. We were backlogged in our maintenance capabilities and depot capabilities. And I think the monies that have gone into increasing those capabilities over the last 5 or 6 years are now beginning to pay handsome dividends.

We are seeing the upward slope constantly now in our theater, and in the real warfighting capabilities there. And we are increasing our days of supply. We are increasing our POL stockpiles. We are increasing our ammunition stockpiles, and those are building steadily in the path, the way I think we need to help the real capability.

Senator THURMOND. General Patte, what will this mean for the Central Command?

General PATTE. Senator Thurmond, since we do not have troops actually out there, other than EUCOM, our only troops, as you know are the Midwest force ships. So as to what it was in the old days, there is no baseline, if you will. The budget, as it is proposed, will show some significant increases in our days of supply for war reserves which I will show you during the closed session.

It does have some holes in it, as I mentioned in two areas. Army major items of equipment for our war reserves, and in the Air

Force areas, WRSK kits to the level that they are purchasing them is only about 16 percent of our total requirement.

So in those two areas, I would say, are our softest areas in the current budget.

CROSS-DECKING OF AMMUNITION AND SPARE PARTS

Senator THURMOND. General Patte, is there any cross-decking of ammunition and spare parts in the Naval forces that operate in the Indian Ocean under the Central Command?

General PATTE. Sir, do you mean, do we share a common pool of ammunition or spare parts, or equipment, for the forces, which are apportioned to Central Command? The Navy forces portion are ours for planning only. So the answer to your question is basically no, those stocks actually belong to the Pacific Command, and are not ours. But when the forces are sent to us, the equipment and supplies come along with them.

Senator THURMOND. General Craig, during the April 1986 attack on Libya, the Navy expended a large number of Harm and Shrike missiles. Given that the area of air interdiction during a general war with the Soviet Union will pose a much higher threat to our projects for these missiles?

General CRAIG. No, sir, we have not, Senator. There were a number of factors that affected the rate of expenditure, and the way that those munitions were employed during that time. These methods would not necessarily be applicable, in our opinion, during wartime. So as of now, we do not see a reason to change those objectives.

Senator THURMOND. General Stapleton, do you have any statements you care to make for the good of the order?

General STAPLETON. Well, sir, since we have the Army and Air Force conventional combat units in the states that we deploy forward to the CINCs, we are concerned about the Army's OPTEMPO. The Secretary of the Army's recent testimony that OPTEMPO is going to be reduced for our components, we think is going to start a trend back down in readiness in the Army forces and since the Air Force, did not totally fund the WRSK purchases through the FYDP, we think that is a dangerous trend that will reverse the readiness growth we have seen in the past few years in the tactical Air Forces.

Senator THURMOND. I believe my time has expired, Mr. Chairman. Thank you.

Senator DIXON. Thank you, Senator Thurmond. Senator Nunn.

Senator NUNN. Mr. Chairman, I just want to ask one or two questions.

First let me congratulate you on assuming the chairmanship of this very important subcommittee. You and Senator Humphrey I know are going to be working closely together. This is an enormously important subject, so we will be following your guidance. I am delighted to be here.

READINESS

I wanted to ask a question on this whole business of readiness. When we talk about readiness and sustainability, I know all of the

caveats. I have read some of your statements, which are very good. I have not been able to hear all of the testimony.

It seems to me that there is a whole dimension here that we don't talk about that has to be looked into. That is when we talk about certain units and their readiness, the other question that we usually do not address is how soon those units are going to be required to fight in a war.

It seems to me that unless that question is plugged in, the readiness does not tell us very much for late deploying units. If they are early deploying units, it tells us a great deal. But do we have that correlated in here anywhere?

Do we have which units, in your command, would be expected to fight, let us say in the first 5 days, which ones in the first 10 days, the first 15, 20, 30, as opposed to those that might be called on D-day plus 45?

General CRAIG. Well perhaps I should speak to that first, Senator, on behalf of the European Command.

The answer to your question is yes sir, we do know which units and we do know what order that we are expecting them to arrive in the theater. We do know what their health is and what their shortfalls and limitations might be. Consequently, and we will be happy to talk about this more in closed session, but the point that we have made, for example about the deficiencies in combat support, combat service support troops, those are very real kinds of deficiencies that is the reason they are so high on the integrated priority list. They do have a direct impact on the capability of forces to go to war at the outbreak of hostilities.

Senator NUNN. Can you furnish for the record, either in classified or unclassified form, how this breaks down? Let us say, if we had units that are scheduled to come D-plus 20, I am worried less about whether every item of equipment is there, than if they are on D-plus three or D-plus four or five. Is there any way you could furnish that to us in classified session?

General CRAIG. Yes, we certainly can, sir.

Senator NUNN. How about the Central Command?

General PATTE. Yes sir, I do have data with me, and I can portray that to you during the closed session, as far as the shortages in the CS units in the Army for CENTCOM.

Senator NUNN. As we see this budget squeeze coming in, it is here now, it is not coming, but it is here now. We see that we have all sorts of modernization programs started that we may not be able to complete. We are scaling back on the procurement rates, and there is a lot of inefficiency there.

We are probably taking a whack at sustainability and readiness that we should not be, although I think Congress now is more attuned to protecting that than ever before.

Is there a case to be made that we ought to take a broad look at all of the units, including those in this country and begin to think in terms of staggering readiness on purpose, rather than seeing just a general decline of readiness across the board, so that the first units deployed are the ones that we give attention to, and so forth?

General STAPLETON. Well sir, if I could speak for the Readiness Command, we do not have assigned the combat support and combat

service support units within the states. We do have the assigned Army and Air Force combat units. And while I can do that for a Pacific theater in the Pacific plan, the earlier deploying troops for one plan may not be the earlier deploying units for another plan. So, therefore, it is almost scenario related. You can build a scenario in which most of the combat troops would be an early deploying unit.

Senator NUNN. But the point of it is, we all know you can not get them there, no matter how early they are supposed to be there. It is a pretty objective analysis about planes and ships and airlift and sealift. I am sure that there would be some correlation. You also have the dilemma that certain unit is supposed to be in two places at one time. We know that is not going to happen. They can not fight in the Persian Gulf and NATO at the same time.

There are, it seems to me, objective ways to get this down to a sensible proposition. I guess what I am asking is, have you taken a look in recent years at the possibility of staggering the readiness on purpose, rather than just have it happen generally across the board?

General STAPLETON. Well sir, I would say there is a priority among the plans and the earlier deploying units for the European theater to receive priority.

Senator NUNN. How about for others?

General STAPLETON. No sir, we have not gone beyond that.

Senator NUNN. In other words, the early deploying units in Europe receive priority within the overall defense budget? I am speaking in broader terms than one command. Are you saying within your power, or are you saying that the whole power of the services and how they respond and how DOD funds are brought to bear?

General STAPLETON. Within the services, sir.

Senator NUNN. Within the services?

General STAPLETON. Yes, sir.

Senator NUNN. Would you furnish our staff, whether it is classified or unclassified, in whatever appropriate form and tell us as much as you can about that. Also on the same question to the other commands represented here today.

General STAPLETON. We could, for the record sir, in classified form.

General PATTE. If I may, Senator, as far as Central Command is concerned, we have no forces, so the question is perhaps a moot one for us. I think the idea certainly has merit and should be explored.

Senator NUNN. You do not have units. But you have some folks you are going to be counting on if the gun goes off. You could sort of take a look back at those units, wherever they are, and give us your assessment.

General PATTE. Yes, at the moment we count on REDCOM to furnish the units when we go to war.

General STAPLETON. So his answer and your answer need to be put together. Let us put it this way. If you have any comments on his answer, we would like them from your perspective. We would like to add that if you disagree in any way, we would like to know that.

General PATTE. Yes sir.

Senator NUNN. I was going to ask one more question, Mr. Chairman, but my time has expired.

Senator DIXON. Would Senator Wirth indulge you for one more?
Senator WIRTH. Of course.

PERSONNEL TRAINING PROBLEM

Senator NUNN. The only other question I was going to ask is on these charts. Maybe you got into that while I was out of the room, but these MOS qualifications—96 percent off—I think this was the testimony from Central Command. I had no idea we had that kind of personnel training problem. Would you explain that a little bit?

General PATTE. Well, as I discussed a little bit in my statement, there are training problems within the Reserves. The Army has taken steps to correct some of that, by building what they call Regional Training Facilities.

They have opened four out of the 21 they expect to within the next few years. We expect that will be of great benefit to training the Reserve forces.

Unfortunately, most of those that need the training are people like the maintenance folks who repair the complex equipment we have now. So it is a problem. The Army recognizes it as such, and has taken some steps to get with the program.

Senator NUNN. Thank you. Thank you, Mr. Chairman. Senator Wirth.

Senator WIRTH. Thank you, Mr. Chairman. Gentlemen, thank you for being with us and thank you for your help. As you know one of the issues that we have to address is the tough one of balancing between operations and maintenance accounts on the one hand and procurement on the other. A time honored problem that you deal with on a steady basis.

It is complicated for us, as you know by what the chairman just called the budget squeeze, and others have called the press of the bow wave. As the budget squeezes, as the bow wave comes at us, it seems to me that what we have to think about is, in addition to putting more money into the Defense Department, we have to think about how we are going to buy smarter, or improve our defense technology, get more for the dollars the taxpayers are investing, and better coordinate with our allies.

I would like to just touch on these areas quickly, if I might.

BUYING SMARTER

First of all, in buying smarter, how would you rate our history of spending for the last 8 years? Emphasizing operations and maintenance and procurement, if you were 8 years ago where you are today, would you have done the same sort of things that we started to do? Would you follow the same kind of a balance between O&M and procurement or would you have changed that balance. If so, how?

It seems to me we learn from history, we learn from the mistakes that we make. That helps us to better focus on priorities today.

General CRAIG. Well, Senator, if I may respond. And please understand that this is my personal assessment.

As I look back over the last 8 years, I recognize that we needed to do two things.

One, we needed to modernize our forces, because we were slipping desperately, vis a vis the threat. At the same time, there had been some very serious neglect down at the operational level, and the ability in operational and maintenance funds. There had been some neglect in keeping the stockpiles of spares as well as VRM's up where they should be.

My gut tells me that over this period of time that trying to pursue these courses in a balanced approach, where we were indeed modernizing the forces, at the same time, starting to, at a prudent and modest rate, establish the stockpiles, establish the spares, build those and establish a steady, positive, slope, on a curve. That we do not, and I would not recommend at this time that we attempt to do anything dramatic, but I think we need to keep a positive slope on that. If we do that, then we can certainly see the days of supply and the days of sustainment for wartime getting better and better. Over time, I think we will have a far stronger and far superior military capability.

Senator WIRTH. I realize this is a tough question. You know, what would you have done differently, if anything? Let me ask the other two, what would you have done differently? What should we learn from our experience over the last 8 years to help guide us over these tough times of budget squeezes over the next few years?

General PATRE. Well back to the early timeframe, 8 years ago, I recall being a battalion commander for an armored division maintenance battalion. We had significant shortages of major assemblies, track and all these sorts of things to keep the tanks going.

I then came back about 4 years later as commander of a group which did much the same thing. I noticed an enormous change already, because apparently there had been funds for war reserves and for secondary items. The change was drastic. The shops, we had new maintenance facilities, not all that we needed, but certainly the picture was much better in the early 1970s.

As to what it is now, as I have said before, we do not own and control any forces other than those six ships. So the forces that I comment on, actually belong to other components. So, talking about balances will be a bit difficult for me. I do see the sustainment and readiness needs of our command. I have done my best to elaborate on them for the committee. I do not see the requirement at my level for modernization items. Those are decisions and priorities, which of course, as you know, are taken at different levels of the Department of Defense and the Joint Staff.

As a logistician, however, I can tell you that I would just as much rather have a full pantry of shelves of supply and equipment and ammunition. That is what makes me feel comfortable as a logistician, to a certain degree.

I do not have a warm and cozy feeling about that today.

General STAPLETON. Sir, I too in those years was at base level, wing level, and saw times when we had problems training and flying our young people as they came into the aircraft. At that level, you put a lot of stock in your ability to fly and train with the equipment that you have on hand.

Yet today, I see that gains we have made with the airplanes like the F-16, which takes in some cases less than 50 percent of the maintenance man hours than the older airplanes did. So there obviously has to be a mix of that. That is a tough question, and it is one that is argued often. I think that with the mix we have had in the past, we have brought along that sustainability tail. Now we have it in the right direction. If we had to go to war with what we have today, we would be capable of fighting.

Yet, we have to continue to modernize and use technology and as Senator McCain talked about, such as the airplanes that take fewer people to support and give us more capability. I do not have an answer to that mix. It is a very difficult question.

Senator WIRTH. Well, I know it is. It is one that vexes us, because we do not have an answer, and we are not doing particularly well at achieving that critical balance given the problems we currently have.

I appreciate your comments on war reserves and maintenance, and obviously we hear over and over again about the increased quality of personnel, and obviously we have done that very well. Clearly, there are some things we have not done particularly well. It seems to me that we want to learn from that as we try to tread our way through this tortuous path. My time has expired, Mr. Chairman. I hope I have a chance to come back around.

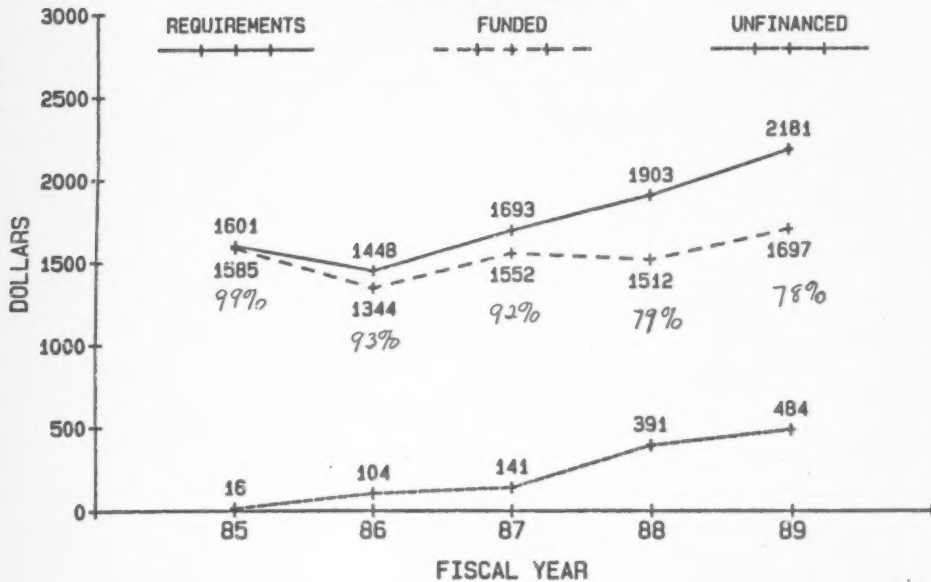
Senator DIXON. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman. Welcome gentlemen.

I am wondering if we could get a chart up there on depot maintenance for the Army. I have some questions on that.

OPERATION AND MAINTENANCE, ARMY

DEPOT MAINTENANCE PROGRAM MATERIEL MAINTENANCE (DOLLARS IN MILLIONS)



LANG14R

Senator LEVIN. What this chart shows is that the budget request is for 79 percent of the requirement in fiscal year 1988, and that from 1987 to 1988 the unfunded depot maintenance of our equipment goes up from \$141 million to \$391 million. It looks like it is even going to get worse in 1989. Usually the out years look better, but in this case, the out years look worse.

This unfunded depot maintenance has been going up since 1985. So, what it amounts to is our equipment is not going to be repaired the way it should be repaired. I would like to ask each of you what does this do to your readiness, the growth of that unfunded depot maintenance.

General CRAIG. Well, I will, if I may Senator, I will speak first.

I might point out that that is a concern, which we, in European Command have identified. It is one which General Rogers will bring back to the Pentagon in his role as USCINCEUR, and it is one that we will voice our concern, both through the DRB process in the Pentagon, as well as through our components.

You are accurate. It is an element of serious concern.

Senator LEVIN. Does this mean that large equipment backlogs are just around the corner for us, is that what we are looking at?

General CRAIG. Sir, we think it is the snowball kind of effect, in that you start to accumulate some backlog. That means that some equipment gets out of commission. That means that you begin to have some deficiencies. Then soon, if that continues over a period of time, it begins to spread. It begins to increase, and it becomes an ever increasing problem, and yes, somewhere along the way, unless that process is halted, then it does become something that would be graded serious.

Senator LEVIN. What do the maintenance backlogs do to our mission capable rates?

General CRAIG. Well, for example, now you have up here, I believe you said in Army, what we are predicting in the Air Force for our component in Europe, that with the expected depot maintenance backlog, that we will have an aircraft in commission rate decrease of some 10 to 15 percent.

Senator LEVIN. This is the Air Force depot maintenance chart. It shows that again, we are going to have a backlog increase from 1987 to 1988. We are going to be going from 93 percent of our requirement to, let me see if I am reading that right. I am not sure I can read that, 94 percent in 1987, down to 84 percent by 1989.

So, the degradation that you mentioned in our mission capable rates referred to net reduction in those rates.

General CRAIG. Yes, it does, Senator.

Senator LEVIN. Can you tell us, well, let me ask the others. Could each of you comment on either the Army or the Air Force or both, on the charts that we put up there?

General PATTE. Senator, I have to agree with my European counterpart, since we have none of those forces. The question again perhaps is more applicable for another unified commander with force in it. However, a certain output of the depot maintenance programs in the Army does go into war reserve category. And in that respect, degradation in the output of those depot maintenance facilities results in a nonfill of our war reserves.

So it does affect CENTCOM in that particular way.

Senator LEVIN. General Stapleton.

General STAPLETON. Sir, it is a snowballing effect that we saw in prior years. One of the things this does, if you can not get your equipment into depot for a periodic overhaul, you may stretch out the times between overhauls—which means the equipment you have on hand is going to suffer in a mission capable rate. There is just no way around that. It is going to affect the rates.

Senator LEVIN. Now how does this play out during the budget cycle? You gentlemen have real concerns in this area, obviously. I know our committee does and will. It is our job. Do you make your concerns known internally, and if so what is the mechanism? I mean, how much dialogue and debate do you have inside the services over these drops?

Is this a real issue, or do you just notify the folks in Washington in the right departments that there is a concern and that is the end of it.

I mean is this a live issue or not?

General CRAIG. Sir, we consider it a live issue. As you know, there has been a very intensive effort within the Defense Department to provide for the CINC input into the PPBS system. That is

a formalized process now codified. General Rogers does, in fact, have opportunity to speak his concerns. There are forums and mechanisms by which you can do that.

Ultimately, the final session is appearance before the DRB, which is chaired by the Secretary of Defense, in which he has a final opportunity to make a plea for anything that he thinks is necessary in his theater, and likewise to be discussed before that decisionmaking board. Then things are resolved in that regard.

I, in speaking on his behalf, would suggest that, if he were here today, he would tell you that yes, that is an issue of concern to him, and yes it is one that he will make sure it is dealt with, with the services, and in that forum.

Senator LEVIN. My time is up, thank you.

Senator DIXON. Thank you, Senator Levin. I might observe that I think the staff has done an exceptional job in the research on these charts, and I thank my distinguished colleague from Michigan for his very penetrating inquires about it.

If we could put that operation and maintenance Army chart up there one more time.

I just wanted to say that staff has suggested two observations about this.

The first, that this is kind of like looking at the deficit. It is just going to get worse and worse and worse.

Second, and I was not here in those days, so I can not testify to the accuracy of it, that in those out years, when you get down to around 78 percent again, you are looking at the kind of situation we had in the late 1970s. Is that accurate?

General CRAIG. Sir, I do not know how to correlate that numerically. I can only say that the slope of the lines would certainly, if you protract those out years ahead, lead you into what would inevitably be that same kind of situation.

Senator DIXON. I guess one final question, and then I think my colleague has done so well that I hesitate to belabor the point.

But in the question of prioritizing what you do, which obviously is difficult when you have these budgetary constraints, and nobody here is critical of the fact that you have a tremendous problem. You know we all recognize that. But, is enough attention being paid of this? I think Senator Levin and myself and some others have been talking about it for a couple of years. Certainly my colleague, the ranking member, who was chairman last year talked about it a lot. Are folks at the highest levels seeing these kinds of charts and talking about them, and wondering what is going to happen when you cannot fix the tank or the airplane, you have to take stuff off the new stuff to operate the old stuff?

General STAPLETON. Well sir, if I could answer that.

All of us at the senior levels have lived through the days in the late 1970s when we had those types of problems. We certainly do not relish returning to them. I can tell you that no decision like that is made without great agony and soul searching throughout that process. I would have to see the charts from back in those days to tell how long it would be before we would have the same types of problems we had in the late 1970s. But whether this would ultimately lead to that, you would need the out years to tell exactly where we are going with it. Sir, nothing like that is made in a

vacuum. It takes a lot of agony and a lot of heartache before you make those decisions.

Senator DIXON. General Patte, the message I draw from your prepared statement is that your combat units are ready to fight, but these combat units could not fight very long, because your combat support and combat surface support units are not ready.

Is that a fair conclusion to draw from your testimony?

General PATTE. That may be somewhat of an exaggeration, Mr. Chairman.

What I think is perhaps a more accurate presentation, would be that the combat forces, which are deployed together with their organic support units, are in effect ready to operate and to go into combat, and to sustain themselves for the length of time of stocks that they bring with them. We do have some reserves overseas. As I mentioned, we do have service support units that come over between D-day 1 and D-day 120. Those do have equipment and personnel shortages. So it is in the outer stretches of time which I can get into in a closed session, where we have our problem.

I think I can tell you, the initial combat operations are fully supportable.

Senator DIXON. Would you look at the chart on page 3 of your statement that shows the personnel readiness status of CENTCOM units?

What would that chart look like if you showed the overall readiness status of CENTCOM forces? What percent, both active and reserve, would be rated noncombat ready in your opinion?

General PATTE. I have the C-ratings for that, which I can show you in closed session.

Senator DIXON. That is classified I take it, OK. Would you remember to return to that when we get to the classified part?

General PATTE. Yes, sir, I will.

Senator DIXON. General Stapleton, your statement notes that Readiness Command forces continue to report high readiness rates. Do you not have the readiness problems in the active combat support and combat service support units that General Patte discussed for the Central Command?

General STAPLETON. Sir, the Readiness Command is not assigned combat support and combat service support units. So we do not deal with those units. We only have the combat forces.

Senator DIXON. General Craig, you say that these ratings indicate that the forces in Europe are combat ready with deficiencies. Can you give us, in unclassified form, what General Patte did a moment ago, the percentages of your combat and combat support and combat service support units that are rated not ready, or only marginally ready to perform their wartime mission?

General CRAIG. Sir, those numbers would be classified. I am prepared to give them in a closed session.

Senator DIXON. All right. General Craig, in the first 30 days of a NATO war, European Command would probably have to rely upon a large number of Reserve component combat support and combat service support units. General Patte has not painted a very optimistic picture of the readiness of the Reserve units in Central Command.

What is the current readiness status in the Army Reserve component, combat support and combat service support units that would reinforce European Command in the first 30 days in a NATO war?

General CRAIG. Let me answer that question broadly.

In the European Command, it is going to be extremely critical that we have good warning, and important that we have an early decision for mobilization. Because it is on that basis that we will be able to acquire the forces that have to be activated and have to be brought over to Europe in order to arrive in a timely manner.

Now, the specific time and the specific dates that are associated with those numbers are again, sir—I would like to defer to the closed session.

Senator DIXON. If it is agreeable to Senators Levin and Wirth, I think we could go into the classified or closed session now, and get into those numbers. Would you like to ask a question? Senator Wirth, did you have anything further, before we go into classified?

Senator WIRTH. I would just ask the same questions.

Senator DIXON. Senator Levin.

Senator LEVIN. Mr. Chairman, first of all, as those charts indicate, we have a real problem in our depot maintenance. The direction is all wrong. We are building two new land-based ICBM systems in the budget, at the same time that the capability to repair our equipment is going down, and I think fairly dramatically, down. And that is not just going from 94 to 93, it is going from 94 to 84, and in one case down to 73 or 78.

So that is a major concern. We may be adding another 50 MX in this budget. Maybe 500 midgetmen. Adding that to an inventory of 10,000 strategic nuclear weapons, when our capability to repair equipment is declining. Now, we have got to face that priority issue. That is the struggle we have to face on this committee. Needless to say, from the way I phrased the comment, it does not make any darn sense to me at all. I will take Senator Wirth's comment to his staff as total agreement. [Laughter.]

When I ask the budget question, I just have to hope that you are fighting that fight to the best of your ability, internally. Because we need the struggle over priorities to take place both inside the Pentagon and inside the Congress. Obviously, there is argument on both sides.

But this just makes absolutely no sense to me, and I want to ask one quick question, which the chairman alluded to in some questions that he ask before I got here. I want to see if you could answer one thing in open session, before we go closed.

SHORTFALLS

General Patte, you have apparently indicated that we have some shortfalls. Your testimony is that our ability to conduct sustained operations is somewhat hampered by shortfalls.

Then you identified shortfalls in the AIM-7, Harm, Maverick, hard target weapons, preferred artillery ammo, TOW antitank missiles, 25mm cannon rounds. I know that our chairman has asked you, at least I believe from my staff, that he has asked you to

supply for the record what your budget requests were compared to what the budget request to us ended up being.

My question is slightly different than that. Can you tell us whether, in every case, or in almost every case, those items that I mentioned, you requested more than the DOD requested of the Congress?

General PATTE. To my knowledge, yes.

Senator LEVIN. That will do it for open session, and I think for the record you were going to give us the numbers as well.

Senator DIXON. May I say I think we will go into the classified session, and may I say to you gentlemen that it will be our responsibility to clear this half of the room, and will you take care of your folks.

Senator WIRTH. May I just ask one question for the record?

Senator DIXON. Sure. Senator Wirth.

BETTER COORDINATION WITH ALLIES

Senator WIRTH. Thank you. One of the issues we have is how do we better coordinate with our allies. Ambassador Abshire was here about 3 weeks ago and gave what I thought was a very compelling, very well thought through and very important statement about how much we are spending, how much our allies are spending, and how that relates to what the Warsaw Pact forces are spending.

I suppose this goes to you, General Craig, more than anybody. The conclusion coming from Ambassador Abshire, the administration official responsible for a great deal of that coordination was that were we to put a much greater emphasis on coordination with our allies in all kinds of ways, that we would be a lot better off over a period of time. We could come a long way toward solving our budget and bow wave problems.

Now, I have heard about this issue ever since I first read about NATO in junior high school. But can you tell us, for the record, what kind of order do you have, what kind of priority do you feel is placed on you by the Secretary's Office, by the services, on down the line, coordinate your efforts with our allies? Or is this generally something that tends to take a back seat?

General CRAIG. Senator, it does not take a back seat. In fact, as you know, there is a formal program called Defense Industrial Cooperation that is administered by the Secretary of Defense, which in fact forces a kind of exchange back and forth between each of the countries, and with the United States.

The kind of cooperation that you are talking about, I think is really in the acquisition and the development and acquisition of programs and so forth, so that what one country builds does not duplicate what another country builds, or conflict with it.

Senator WIRTH. These are recommendations, coming back up the line from our experience on the ground, that this is the kind of acquisition we ought to do, that this is the kind of coordination that ought to come out of the Secretary's Office?

General CRAIG. That program, sir, is being aggressively pursued. In other words—

Senator WIRTH. You make recommendations back up the line?

General CRAIG. Recommendations do go back up the line. I will point out that there is a great deal of difficulty in some instances in reaching total agreement on it, for the simple reason that those two are independent countries who operate from a democratic power base, and they have their own commercial dynamics that have to be dealt with. But as those are where you find the common grounds of cooperation in the common articles that can be done, that is a program that is in existence and growing. There are benefits that are coming and being accrued regularly.

Senator WIRTH. How would we measure whether or not coordination is a priority? How would we go about measuring whether or not this is done?

Or, should you even be asked to do it?

General CRAIG. I think one of the best indicators from my perspective sir, is how much interest is there in the subject.

Senator WIRTH. You are telling us there is not very much interest in it?

General CRAIG. I am telling you there is, sir. I am telling you there is. At the OSD level, there is consistent and regular interest. This also is so among our component commands. There is a regular interest in it among the J-4-7, which would be the equivalent of General Patte's chair at headquarters European Command. The two star has an active staff, and there is someone designated in every embassy in every country over there to execute that function. The results of it are reviewed regularly. The DCINC, General Richards, maintains awareness of what has developed in it. Likewise, they keep in contact with the NATO staff in terms of what progress is being made.

So there is considerable motion, if you will, that occurs on that subject.

Senator WIRTH. Mr. Chairman, I appreciate your forbearance on this issue. I remember you were there for Ambassador Abshire, and I think many of us were. We were struck by the amounts of money that were spent by the whole NATO alliance.

I think all of us were struck, as we have been for years and years, by the fact that we do not seem to be accomplishing nearly as much as we should. Now, maybe there is a way in which, between the subcommittee that you chair, and the subcommittee that Senator Levin chairs, that we ought to be figuring out a better way to get a handle on how well in fact we are doing. Maybe that has been done. Again, I am new to the committee, but maybe you ought to figure out—

Senator LEVIN. No, that is why you came, to solve that problem. [Laughter.]

Senator WIRTH. There are systematic problems that we must continue to look at, and this is one that has been around for a long time. How do you take defense R&D and apply it to the civilian sector is another one. Perhaps we can pursue this later. We are not going to solve the problem here.

Senator DIXON. Well I do not know if we have had a problem that we have had since you were in junior high school, Senator, but we are going to work on it.

Senator LEVIN. I was serious. We really need as much fresh, creative thinking on that issue as we can, because we have got to make our bucks go further.

Senator WIRTH. There must be a better way of getting a handle on this. We must be able to quantify how well in fact we are doing, or ask different kinds of questions about how we are following up on what Ambassador Abshire was, I thought, so effectively advocating. Thank you.

Senator LEVIN. We are going to have a hearing by the way, on that subject, because it is such an important subject.

Senator DIXON. I think Senator Levin had one more question before we go into closed session.

Senator LEVIN. Let me join Senator Wirth in extending my appreciation for your patience, Mr. Chairman.

A couple of quick questions for General Stapleton, if I could.

STRATEGIC SEALIFT AND AIRLIFT SHORTFALLS

One, you point out that despite some improvements that we had in our strategic sealift and airlift, that there are going to be some significant shortfalls that are persistent into the next century. My question is will we be able to meet our NATO commitment to deliver 10 divisions to Europe in 10 days, for that period of time at least, and whether or not we are going to modify the commitment.

General STAPLETON. Yes sir, and I would like to submit that during the closed session, sir.

Senator LEVIN. OK. Another quickie, if I can. Since there is no clock, I can say I have 30 seconds left.

INADEQUATE FUNDING OF WARTIME SPARES

You indicated also in your statement that inadequate funding by the Air Force of the wartime spares requirements represents a reversal in an overall improvement trend. If not fully funded, this would result in a serious decline in sustainability over the 5 year defense plan.

My question is, are you then saying that the Air Force spare parts request in the budget is inadequate to stay even with where we are today?

General STAPLETON. Yes sir, I am, and I will also submit that during closed session.

Senator LEVIN. Thank you.

Senator DIXON. I think we will go into closed session, and I wonder if you gentlemen would accommodate us by helping clear your half of the room.

[Whereupon, at 3:15 p.m., the subcommittee proceeded in closed session.]

EXECUTIVE SESSION

The subcommittee met, in executive session, pursuant to recess, at 3:15 p.m. in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senators Dixon, Levin, and Wirth.

Staff present: Patrick Tucker, minority counsel; Robert E. Bayer, John J. Hamre, George K. Johnson, Jr., Ronald P. Kelly, David S.

Lyles, and Patricia L. Watson, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon.

Senator DIXON. May I say, gentlemen, if you do not mind I am going to discuss some things with General Craig first, simply because we all appreciate the time constraints, and I am sure we all understand it. I just want to put up some charts, General, and ask you to look at these charts and tell us whether they are reasonably current or to the extent that they are not current, whether you can give us information to change these on the number as soon as you can.

[Vugraph deleted.]

General CRAIG. Sir, I recognize those as charts that were prepared some 2 to 3 years ago, and there has been some significant progress since then.

Senator DIXON. Could we leave that first one up, the war reserve status. That one right there. Now, you see those percentages there. What would you say are the nature of those percentages now compared to what they were several years ago, when we received this information?

General CRAIG. Sir, I am going to have to give you that in rough proportions, but there are numerous of those line entries that have been increased by 20 to 40 percent over the years since that slide was prepared. What I would like to do is update that and provide it for the record.

Senator DIXON. What I would appreciate your doing is taking that and extrapolating from that, give us what it is now and so forth, so we have a comparative analysis, bringing us up to this date. Would you do that, please?

General CRAIG. I would be happy to do that, Mr. Chairman.

Senator DIXON. Is it possible to do it each year?

[Pause.]

If you could do this, General Craig. If you could give us this kind of a chart using the figures you see there, give us what it would be this year. And also if you can, under what you consider to be your reasonable budget line, what it will be 2 years from now. Do you think you can do that for us?

General CRAIG. Yes, we can, Mr. Chairman.

Senator DIXON. Let us see the next chart there.

[Vugraph deleted.]

Senator DIXON. Can you do the same thing with this chart, General?

General CRAIG. Yes, we can, sir.

Senator DIXON. This is about 2 years old, is that correct?

General CRAIG. We will take that entire set of charts and update them.

Senator DIXON. You are familiar with these?

General CRAIG. I will provide them for the record.

[The information follows:]

USAREUR STATUS

<u>CLASS</u>	<u>REQUIREMENT(DOS)</u>	<u>ON HAND (DOS)</u>	<u>GETWELL</u>	<u>COST</u>
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I (RATIONS)

III (POL)

[DELETED]

V (AMMO)

VII (EQUIP)

VIII (MEDICAL)

IX (SPARES)

* SHELF LIFE PRECLUDES FULL STOCKAGE

** 46 DOS DIESEL/44 DOX MOGAS/ 46 DOS JP4

USAREUR WAR RESERVE STATUS

<u>CLASS</u>	<u>REQUIRED</u>	<u>ON HAND</u>	<u>8</u>
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I (RATIONS)

III (POL)

V (AMMUNITION)

[DELETED]

VII (MAJOR EQUIPMENT)

VIII (MEDICAL SUPPLIES)

IX (SPARE PARTS)

USNAVEUR WAR RESERVE STATUS

<u>CLASS</u>	<u>REQUIRED</u>	<u>ON HAND</u>	<u>8</u>
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III (POL)

V (AMMO)

[DELETED]

USAF STATUS

	<u>REQUIREMENT (DOS)</u>	<u>ON HAND (DOS)</u>	<u>GET WELL</u>	<u>COST</u>
RATIONS				
POL				
AMMUNITION				
TRAP				
STATION SETS			[DELETED]	
WRM VEHICLES				
MEDICAL SUPPLIES				
WRSK & BLSS (RPC/EOQ)				

* WRM CUT WILL REDUCE OH DOS TO 43 BY FY 92.

** RECOVERABLE ITEMS (RPG)

USAF WAR RESERVE STATUS

<u>CLASS</u>	<u>REQUIRED</u>	<u>ON</u>	<u>AND</u>	<u>8</u>
I (SUBSISTENCE)				
III (JET FUEL)				
V (AMMO)				
VII (TRAP)				
VII (STA SETS)			[DELETED]	
VII (VEHS)				
VIII (MEDICAL)				
IX (WRSK/BLSS)				

Senator DIXON. Good.

Then may I ask you another question. I see we have about 6 or 7 minutes before you have to go along to your next obligation. Getting back to those questions I asked you before, General, on these questions of combat units ready to fight, combat support and combat service support units, and so forth, what can you tell us in the classified session now?

General CRAIG. Well, as you know, Mr. Chairman, we have General Rogers and the United States has made a commitment to NATO that we want 10 divisions in place within 10 days.

Senator DIXON. Could we do that now, actually?

General CRAIG. No, sir, we cannot. [Deleted.]

Senator DIXON. Would you say that again, General?

General CRAIG. I said we would not be able to do so [deleted].

Senator DIXON. You cannot do it now [deleted].

General CRAIG. That is correct.

Senator LEVIN. Or you cannot [deleted] according to the testimony we had.

General CRAIG. I think about [deleted] is where we are forecasting that sealift and airlift and pre-positioning all come together that would provide that.

Senator DIXON. Now, for our information, right now how long would it take you to do it?

General CRAIG. Our get-well date, sir, that we are carrying is [deleted].

Senator DIXON. No, I mean to do it right now, to get the 10 divisions. How long would it take right now?

General CRAIG. We are right at [deleted].

Senator DIXON. Thank you, General.

General CRAIG. But in response to your question about theater support shortfalls, for M-day we need [deleted] fillers to bring [deleted] forward deployed combat support, combat service support units, to required authorized level of organization 1 or 100 percent manning.

We also need to deploy on M-day, an additional [deleted] combat support, combat service support troops in [deleted] CONUS units to support forward deployed forces and to receive/assist deploying divisions. Then to meet the essential force requirement that exists at M plus 10, an additional [deleted] combat support, combat service support troops are needed in theater to support the first six reinforcing divisions that we would hope to activate at that time.

In other words, that is a total of [deleted] combat service, combat service support spaces to meet the needs of our 10 division M plus 10 essential force requirement in the European theater.

Army readiness figures reflect that [deleted].

Senator DIXON. Now, when you say [deleted].

General CRAIG. [Deleted.]

The Army recognizes that is a problem. They are working the problem, and in fact they are putting a significant effort against it in this POM cycle. But it is like some of our deficiencies in spares and things that we found in the past. It is going to take them a while to get well, to fix them.

Senator DIXON. Are you testifying in actuality, then, [deleted] when you add these numbers up?

General CRAIG. No sir. It does not add.

Senator DIXON. You are not saying [deleted].

Senator WIRTH. There may be people who are neither trained——

General CRAIG. [Deleted.]

Senator DIXON. Can you break down in your command the number you would rate C-1, C-2, C-3, and C-4?

General CRAIG. Yes, I can, sir. For all the units assigned, but recognize that the numbers we were just talking about are those like General Stepleton was talking about earlier. Those forces are not allocated to us, and so consequently we do not have that statistic, other than to tell you what the known deficiencies are.

But I will give it to you by service. In the Navy——

Senator DIXON. You do not have a chart, do you, General?

General CRAIG. I do not have a chart, sir. But I think I can make it clear.

Senator DIXON. Would you later supply one for us?

General CRAIG. I will.

[Chart deleted.]

All the combatants in our area for the Navy are [deleted]. For the Army, all of our major ground forces are [deleted]. Now, we do have some Patriot units that are transitioning, and [deleted]. But we expect that to be recognized as a transitional problem.

Senator DIXON. If I may interrupt, General, I want to give a quick question opportunity to Senators Wirth and Levin before you leave.

General CRAIG. Sir, I will delay my departure, certainly, to satisfy them.

Senator DIXON. Well, I simply want to say to my colleagues that the General does have an important engagement and asked to be excused at 3:30, if we could keep it brief. But I would like to give each of you an opportunity in the classified session to ask him a question.

General CRAIG. And I will stay.

Senator DIXON. Senator Wirth, did you have any questions?

Senator WIRTH. What then, going back to the earlier questioning, what then becomes "good warning" for forces in Europe, given where we are now?

General CRAIG. The Army tells us that it will take them from [deleted] days to be able to activate one of the Reserve or National Guard units and have it ready for deployment. Then you add the marshalling time and the transportation time to that, and I think you can see that, if you allow [deleted] would be there.

Senator WIRTH. Now, when you have done war games and looked at various possibilities, how does a [deleted] period of time compare with what you think the threat would be?

General CRAIG. Well, I would rather answer from a sectors perspective, sir, in that we are talking about units that he has said he needs to have there within 10 days, [deleted].

And so the [deleted] and that rate at which he needs them, which he has said he has got to have them, is an obligation [deleted].

Senator WIRTH. Is that [deleted] after what?

General CRAIG. After hostilities.

Senator WIRTH. How about warning?

General CRAIG. Warning would have to be prior to hostilities in order to have them.

Senator WIRTH. You would have a [deleted] period of time?

General CRAIG. You would have to have warning and critical decision early [deleted] outbreak of hostilities. You know, there is a certain kind of clairvoyance that would have to go with that, and political will that would have to be imposed in order to effect that.

Senator WIRTH. But to close this out, how much can, for example, the Soviets do without providing us with a sense that something is amiss, so that you start the process of [deleted].

General CRAIG. I can only give you my best guess in that regard, because I think the DIA and those agencies would really have to talk about warning time and what they think we can really get. But the time period that I am familiar with says—and I am quoting loosely those sources—they think that they will have an idea if the Soviets are up to something [deleted] ahead of time, just simply because the Soviets themselves would have to take certain steps in order to start marshalling and getting their forces together, and tipping their hands that they are starting to break out stockpiles, et cetera, et cetera. [Deleted.]

By any means, [deleted]. But those are again numbers and times that could be better expressed by other agencies.

Senator WIRTH. Do you have to go, General Craig?

General CRAIG. Well, I would delay certainly until we have satisfied everyone's questions. Thank you.

Senator DIXON. Senator Wirth, are you satisfied that I can move along to my colleague?

Senator WIRTH. Well, General Craig's testimony does raise other questions, especially as we look at the whole issue of conventional military forces. What you are trying to do is to make the threshold as complicated to get over as possible.

If this is the case and we are in a [deleted] and the Soviets are in a [deleted] what other kind of mechanisms can you build in in terms of discussions with the Soviets? And I do not know if this fits into the whole issue of conventional arms control, but it fits in with you and Senator Levin.

But what other mechanism do you build in so that we have a better understanding of what they may be doing and they have a better understanding of what we may be doing? Do you see what I mean, so that you do not have the element of surprise, but you lower the possibility of surprise.

And what kind of mechanisms do you build into this, therefore ensuring that each side ends up making the other side more secure?

And Senator Levin, I am sorry. Thank you.

Senator DIXON. Senator Levin.

Senator LEVIN. General, let me go back to your [deleted]. How many of those, first of all, are in the force structure today?

General CRAIG. Sir, I think the number that I quoted shows there is [deleted]. Is that not right?

[Deleted.]

Senator LEVIN. Let me go at it a different way. How long would it take us to get 10 divisions to Europe with their full support requirements?

General CRAIG. Sir, I think those 10 divisions close at something like [deleted]. Do you recoil from your European——

Senator LEVIN. With all their support?

General CRAIG. Yes, sir, with the support that is available.

Senator LEVIN. No, all of the support they are supposed to have.

General CRAIG. Let me just explain. Let me give one statement that maybe will help clarify this, and then I will come back to your question if I may, Senator. As you know, we have about 4½ divisions stationed in Europe. Those are combat forces. We are in the process of building the POMCUS sites to accommodate the additional six divisions and pre-positioning equipment to those six divisions.

Currently we have [deleted] of the equipment and the pre-positioning supplies that it would take to accommodate those. We have the divisions identified that would come over and the order in which they would come and how they would be transported, and so forth.

Due to the fact that to get in that other six divisions over, that process is going to take [deleted] timeframe before they arrive—that is because they have still got the remainder of that equipment that is not over there pre-positioned. It is because we still need [deleted].

But as I talk to that requirement, I am also identifying now this [deleted].

Senator LEVIN. My question is, with your [deleted] answer did you assume that all the combat support people would be there in [deleted].

General CRAIG. Yes, we do, sir.

Senator LEVIN. All that they need? Not all that is available, but all that is required?

General CRAIG. [Deleted] is having to deal with in order to resolve that issue.

Senator LEVIN. My last question, because of your time, is the question of budget. Would you be able to translate all this into dollars? Could you tell us what it would cost to reduce those shortfalls by 10 percent? If we said suddenly there is \$3 billion available next year, what would it mean to your figures? Could you tell us that?

General CRAIG. Sir, I can give you a yes or no on this, but I am waffling. We have a major effort going on that was addressed by the Goldwater-Nichols bill, as well as by ongoing efforts in the Pentagon, to take stocks and weapons and so forth and allocate them and divide them by theater.

Currently we do not know exactly what—we cannot tell you what those numbers are because we do not have them allocated and broken out. They are all in the aggregate, across the board. In other words, the Army has X amount of M-1 tanks and some of them are coming to Europe, [deleted].

Likewise, when you start looking at things like munitions and missiles and things of that nature [deleted].

Senator LEVIN. Thank you.

Senator DIXON. Just one clarification, then I am going to excuse you, General, because we have already held you a few minutes over.

Now, the [deleted] additional personnel that you are talking about that are support and service support, is it not a fact that—[deleted]. I am not clear on that portion of your testimony, but could you supply me with that data?

You are saying the people that you have, [deleted] is that not—what you are saying?

General CRAIG. Yes, sir.

Senator DIXON. You are not saying that these [deleted] meet that standard, are you?

General CRAIG. No. I am saying that is our combat force now. In order for those combat forces to be effective and fight, they are going to have to have [deleted].

Senator DIXON. And is that what you were testifying to, that that [deleted].

General CRAIG. That is correct, Mr. Chairman.

Senator DIXON. What is the overall percentage of that [deleted].

General CRAIG. I cannot answer that. I do not have access to the Army data.

Senator DIXON. Could you supply it to us at a later date?

General CRAIG. I see no reason why we should not be able to.

[The information follows:]

USREDCOM and HQ FORSCOM monitor the status of resources and training of those forces which will deploy to this theater. Our planning data indicates [deleted] are C-3 level or below for equipment and/or personnel and/or training. This figure includes the [deleted] which are C-3 or below in personnel and [deleted] which are C-3 or below in training.

Senator DIXON. I think we will excuse you, General Craig, if you still have your other obligations.

General CRAIG. Thank you, Mr. Chairman.

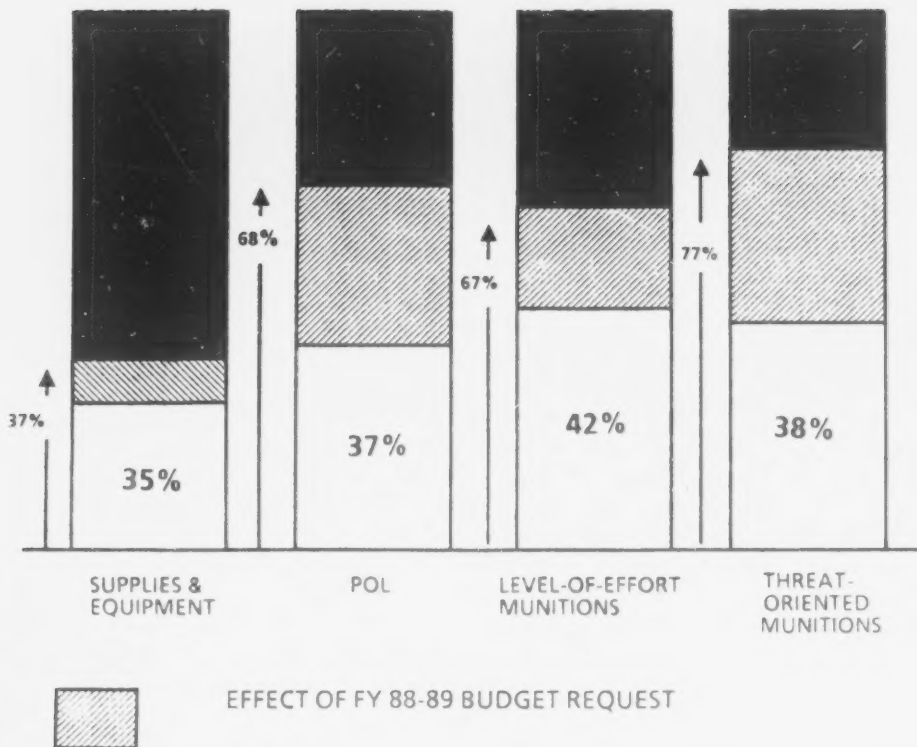
Senator DIXON. General Patte and General Stapleton, are you able to supply us at this time that comparative analysis between the integrated priority lists as you gave them and the result that is reflected in this budget, even before we deal with it at the authorization level?

General PATTE. Yes, Mr. Chairman, I think I can. If I can get a chart up—

General STAPLETON. Sir, I am ready to supply you the list. I am not ready to give you the percentages. I will have to supply that for the record on support and nonsupport.

SUSTAINABILITY

TOTAL REQUIREMENT



General PATTE. Sir, this is an updated copy of the chart which you will find in my statement, which has on it what the 1988-89 budget will do. As you can see, we do not have very much progress in the supplies and equipment. We go from [deleted] for my war reserves.

In the area of petroleum products, we have a significant advantage, going from [deleted]. In the level of effort munitions, where we are right now at about [deleted] days of supply, the budget, if it is fully funded, would give us at the end of the funding delivery period [deleted].

And the threat-oriented munitions, that is to say the missiles, anti-air, those kind of things, we go from [deleted] which is a little bit more than double.

So as you can see, the 1988-89 budget really does help us out considerably.

Senator DIXON. Now, I will ask you, at least in those three categories where you would seem to attain something in the [deleted] percentile ratings, would you be generally satisfied with that kind of a response from the standpoint of sustainability in this session of Congress and if you could get that kind of budget response?

General PATTE. Senator, I would be delighted.

Senator DIXON. What about the supplies and equipment part here? That seems to be a very poor elevation of your percentile standing in this budget request. Is there an explanation for why the request that was granted—or rather, the request that was sent us in the budget, is so low?

That is to say, was your request comparably low, or is the response just inadequate?

General PATTE. No, Senator. In our presentations to the DRB and of course all the deliberations before that, we generally went for the full war reserve requirement.

Senator DIXON. You went for the whole number?

General PATTE. We usually do, because as logisticians I would like to have my pantry full for the requirement.

Senator DIXON. You told them what you needed?

General PATTE. Yes, sir, exactly. And the reason, if you will, for such a low increase in the supplies and equipment is fiscal constraints. We are talking about major items of equipment here for the war reserves, such as extra tanks, extra howitzers, extra airplanes, all of those things which we do need for war reserves.

And those are very costly, and the Army has made and the Secretary of Defense has made a decision as to his priorities.

Senator DIXON. Would you—I do not want to put you on the spot, but on the question of prioritization, would you say that we have adequately responded in this budget in connection with sustainability in all of those categories or any of those categories?

General PATTE. Well, from past history, Mr. Chairman, if you look at the significant advantage which this budget would give us in those three latter categories, it is a dramatic step forward as far as we are concerned and compared to other years.

Senator DIXON. In other words, in those three categories you think the response is pretty adequate, having in mind what past experience has been?

General PATTE. Absolutely.

Senator DIXON. What would you say about the supplies and equipment part, first compared with other years, and second compared with your needs?

General PATTE. Sir, I think the chart speaks for itself.

Senator DIXON. Well, does it, in comparison with other years? I have to confess, I do not have any recollection.

General PATTE. Again, Mr. Chairman, in this area it is difficult because CENTCOM is such a new unified command. As you know, we are only 3 years old, so our data base for comparison obviously is not good. And everything that we have gotten is more than we had several years ago, and so I think the basis for comparison is very difficult in our case.

Senator DIXON. Do you have any kind of an idea—and it may be a thing you cannot even quickly give us a decent guesstimate about, what we are talking about to bring supplies and equipment up to something like the [deleted] percentile that you find adequate for those other categories?

General PATTE. Sir, this is really an off-the-wall question—or answer, I should say, Pardon me. [Laughter.]

Senator DIXON. You were probably right the first time. [Laughter.]

General PATTE. Now let me continue by really stepping into it. [Laughter.]

But I have heard—and again, this is a thing which I heard several months ago—that 1 day of supply of war reserves for the Army as a whole is about \$2 billion in major items of equipment.

Senator DIXON. Then you are talking about \$60 or \$70 billion to bring that thing up to that arrow?

General PATTE. You are talking about very big bucks, yes.

Senator DIXON. I wish you had not said that was an off-the-wall question while my colleague was here particularly, Senator Levin, who will spread it all over the Senate. [Laughter.]

I want to remind him that this is a closed session. [Laughter.]

Everything said in here is top secret. [Laughter.]

Senator LEVIN. Is that your official opinion or personal opinion? [Laughter.]

Senator DIXON. General Stapleton, are you going to be able to give us similar charts?

General STAPLETON. Sir, the Readiness Command does not have an AOR and so we do not have sustainability taskings.

Senator DIXON. Is there someone here that could speak for General Craig in his absence, now that he is gone, as to whether you could supply a comparable chart?

[No response.]

Well, we will just check with him. But whoever is here associated with him would be on notice, please, that we would like to have a thing similar to this.

General PATTE. Mr. Chairman, if I may, just to clarify my answer. The \$2 billion refers to Army-wide and not CENTCOM dedicated war Reserves, and so it was a worldwide figure.

Senator DIXON. That would not be your situation?

General PATTE. No, it would not.

Senator LEVIN. Which column?

General PATTE. The leftmost column.

Senator LEVIN. Is that per year?

General PATTE. No, I am told that the consumption rates and the amount of equipment one has to buy worldwide for support of Army Reserves, again worldwide, for 1 day of supply is about \$2 billion.

Senator DIXON. That is worldwide and not just yours?

General PATTE. It is, and I have no way of saying what it would be for my theater.

Senator LEVIN. Just on that one point, if I could interrupt you, what you are saying is if there were suddenly \$2 billion found out of the blue for Army supplies and equipment—is this an Army chart?

General PATTE. It is a CENTCOM chart.

Senator LEVIN. OK. If it were found for the whole Army, \$2 billion, that you cannot tell us that that translates into a particular percentage improvement in supplies and equipment for the whole Army?

General PATTE. If it was applied to the full Army equitably, I would theoretically get [deleted] of supply.

Senator LEVIN. But in terms of a percentage of the requirement, you could not tell us what that would be, what that would add?

General PATTE. No, sir, it would be very difficult to do.

Senator LEVIN. Would that be 1 percent, 3 percent? Would it go up from [deleted] percent of the requirement? And I know that is just for you——

General PATTE. I guess maybe 5 percent.

Senator LEVIN. Could I ask one more question on that chart, while you have got it up? If that chart were up there last year, how would it have looked, do you know? I know you said you might not be able to produce it, but what would be your guess?

General PATTE. No, we do have some figures. I think I mentioned that POL has gone up 6.5 percent, so last year it was [deleted]. The supplies and equipment, the supplies and equipment only went up about 2 percent over last year. The level-of-effort munitions was in the [deleted] I believe. On the level-of-effort munitions I really cannot answer, because the requirement changed at the same time.

Senator LEVIN. The other two requirements did not change?

General PATTE. Yes, they did, because of the threat and the consumption rates that we used from one year to the next. And so a comparison would not be accurate. But I can easily say that, in comparison, except for supplies and equipment, the other three are going up substantially over previous years for CENTCOM.

Senator LEVIN. The answer confused me. Did not the chairman ask you about supplies and equipment, and you said the chart speaks for itself. It does not speak for itself to me as to the improvement over prior years.

General PATTE. Over 1 year, I guess you could say. It speaks negatively in the case of supplies and equipment and positively for the other three.

Senator LEVIN. Then I misread the chart. How does that speak positively? How is that a year by year comparison on anything?

Senator DIXON. I think he is only saying that it is a good improvement, Senator, for the three categories, this year compared to past years. Was that not——

Senator LEVIN. The chart does not show that.

Senator DIXON. Well, where the arrows are in the amount of increase over this year. It increased from [deleted] percentiles.

Senator LEVIN. I apologize.

Senator DIXON. [Deleted.] I thought.

General PATTE. Yes, sir.

Senator DIXON. We will get the exact numbers.

Senator LEVIN. I misunderstood. Thank you.

Senator DIXON. May I ask each of you to supply separately, if you can now and if you cannot now then at a later date, the percentage of C-1, C-2, C-3, and C-4s under your commands? Do you have it?

General STAPLETON. Yes, sir, I can do that now.

Senator DIXON. Would you do that now, General Stapleton?

General STAPLETON. Yes, sir. First of all, I would like to put up a chart to give you a kind of a perspective.

USREDCOM ASSIGNED FORCES

USARRED FORCES

CORPS HDQs	3
COMBAT DIVISIONS	11
NON-DIVISIONAL BRIGADES	3
SPECIAL FORCES GROUPS	3
RANGER REGIMENT	1

USAFRED FORCE

NUMBERED AF HDQs	2
TACTICAL FIGHTER SQs	38
COMMAND & CONTROL SQs	14
ELECTRONIC WARFARE SQs	2

General STAPLETON. These are the combatant units which Readiness Command owns, which it would supply during a crisis. Now, if you will put the next chart up.

STATUS OF USARRED UNITS

C-STATUS

DIVISIONS

BRIGADES

BATTALIONS

JAN 86 JAN 87

JAN 86 JAN 87

JAN 86 JAN 87

C1

C2

C3

[DELETED]

C4

C5

* NEW UNITS C5 WHILE ORGANIZING

General STAPLETON. These are the ARRED units or the Army units, and the chart shows you last year versus this year—the percentage of those units that have changed. I can give you the chart in numbers of units if you prefer it that way or I will give it to you in both percentage and numbers of units.

Senator DIXON. Would you say that that is a satisfactory improvement in those categories?

General STAPLETON. Yes, sir, in 1 year's change we consider that as good.

Senator DIXON. Could you do that by the units, General?

General STAPLETON. Yes, sir, by numbers and units. I would like to point out the numbers of units that are C-5 at the bottom of the chart are due to a conversion of equipment or mission.

STATUS OF USARRED UNITS

C-STATUS	DIVISIONS		BRIGADES		BATTALIONS	
	JAN 86	JAN 87	JAN 86	JAN 87	JAN 86	JAN 87
C1						
C2						
C3						
C4						
C5						

[DELETED]

*NEWLY FORMED LIGHT DIVISIONS C5 WHILE ORGANIZING.

General STAPLETON. [Deleted.] That is why the numbers changed there.

But the primary thing—if you see the thrust in the divisions—is it is definitely moving up.

Senator DIXON. We still have [deleted].

General STAPLETON. Yes, sir.

Senator DIXON. Those are all active units?

General STAPLETON. Yes, sir.

Senator DIXON. [Deleted.] Is there any reason for that?

General STAPLETON. I do not have that information with me, sir.

Senator DIXON. Is that available? Could you get that to us?

General STAPLETON. Yes, sir.

Senator DIXON. That is not by design, though?

General STAPLETON. Oh, no, sir.

Just in general, I would say there were [deleted]. The breakdown of that I do not have, sir.

[Pause.]

Senator DIXON. Do you have a similar chart for the Air Force?

General STAPLETON. Yes, sir.

Senator DIXON. Could we see that?

STATUS OF USAFRED UNITS

C-STATUS	FIGHTER SQUADRONS		COMMAND & CONTROL SQUADRONS		ELECTRONIC WARFARE SQUADRONS	
	JAN 86	JAN 87	JAN 86	JAN 87	JAN 86	JAN 87
C1						
C2						
C3						
C4						
C5						

DELETED

INCREASE IN C-STATUS DUE TO:

-- EFFECTS OF PREVIOUS YEAR SPENDING ON WRSK

STATUS OF USAFRED UNITS

C-STATUS	FIGHTER SQUADRONS		COMMAND & CONTROL SQUADRONS		ELECTRONIC WARFARE SQUADRONS	
	JAN 86	JAN 87	JAN 86	JAN 87	JAN 86	JAN 87
C1						
C2						
C3			DELETED			
C4						
C5						

INCREASE IN C-STATUS DUE TO EFFECTS OF PREVIOUS YEAR SPENDING ON WRSK.

General STAPLETON. And like the other chart, this one is in percentages. And I have it in numbers of units if you would like.

Senator DIXON. I see quite a number of percentage improvement in C-1.

General STAPLETON. Yes, sir.

Senator DIXON. Are you satisfied with that?

General STAPLETON. Yes, sir. That is the best that those forces have ever been since I have been associated with them—the best peacetime status ever.

[General Patte's response follows:]

General PATTE. The following is a summary of readiness percentages for units apportioned to our command for planning purposes.

C1, C2, C3, C4, C5 [deleted].

Senator DIXON. Senator Levin, do you have any questions before we conclude?

Senator LEVIN. I wanted to get into the question that you raised before about status. I may have missed the answer, but is the bottom line that the status of our forces in Europe is good, the ones that are there? The status of the ones that are not there is not so good?

General STAPLETON. Sir, now these charts show combat units and these are the ones in the States. These are the Readiness Command forces.

Senator DIXON. He is not talking about European Command.

General STAPLETON. No, sir, these are the ones in the States that we would deploy forward.

If I could show you the other chart——

Senator LEVIN. I do not want you to repeat it. Are you going back?

General STAPLETON. Your asked a question, sir, a while ago, and if I could show it, it kind of tails into this, the one on the sustainability.

[Vugraph deleted.]

Senator LEVIN. By the way, is the definition of C-1 through 4—has the definition of C-1 through 4 changed during that period of time?

General STAPLETON. No, sir. The wording did, but the numbers did not, sir. The requirements did not.

Senator LEVIN. The standards have not changed?

General STAPLETON. No, sir.

Senator LEVIN. I remember a few years back we were caught in that one, so I had that running around in my brain somewhere. So I have got to ask that question every time there is a change. We have not changed the definition?

General STAPLETON. No, sir.

Senator LEVIN. Thank you.

Senator DIXON. Now, does not this chart cause you some concern, General, that you are showing now?

General STAPLETON. Yes, sir.

Senator DIXON. This shows us [deleted].

General STAPLETON. Yes, sir. And the point that concerns us is the projected change in the out years. You have to remember that for money spent today on an average, it is 2 years before you see that in the field for these types of items.

Some items you can get next year, but most of them on average are going to be 2 years out. So that is why you should project it out to see where you are going to be when you start changing this funding.

Senator DIXON. The same problem we saw with [deleted].

General STAPLETON. Yes, sir. [Deleted.]

Senator DIXON. That is why I was saying they are parallel problems.

Senator LEVIN. It is not in the out years. It is starting in this fiscal year. [Deleted] or am I missing something?

General STAPLETON. Yes, sir, it is.

Senator DIXON. What did you ask, Senator?

Senator LEVIN. I said your point is even stronger, because apparently [deleted]. It is not even out years.

Senator DIXON. Well, we see it [deleted].

Well, I appreciate the fact that you were able to take the time. And obviously, Senator Levin and myself and others—and I serve on his subcommittee, which has sort of parallel jurisdiction on these problems—we would really appreciate it, and I know I speak for Senator Levin and his committee as well as my own, if you could elaborate to the extent that you can with charts, graphs, and other types of information, percentages that are available to you, that we question you about today, because I think there is a genuine concern on this committee about these problems that are apparently in everything that we have looked at today.

And I know that there is concern on your part. I want to thank you both for being here and accommodating us and being so forthright in your answers.

Is there anything further from you, Senator?

Senator LEVIN. No; thank you, Mr. Chairman.

General PATTE. Mr. Chairman, if I may, if you have a minute, I owe Senator Nunn, who is not here, an answer to a question which he asked if I could put into the record.

Senator DIXON. What was his question?

General PATTE. His question led to—

Senator DIXON. Here is the question: Follow-up on Senator Nunn's point. Are you able to tell us what the readiness and sus-

tainability are of the units which will have to fight in the first 10 days, then 20, then 30, of a war?

General PATTE. I do not have it exactly that way, but I think I can address the question to which he alludes. If you look at the scale of the units that come over after C-day, which is the day they start moving, on the [deleted] percent of those support units which are coming over by the 30th day are at C-4 status today.

If you will recall from my testimony, I said roughly [deleted] percent of those units were C-4 right now. If you go out to [deleted] that is when you get to the roughly [deleted] percent of those units being in C-4 status today. Now, that tells you that the vast majority of those units which are in bad shape are late-arriving units.

In other words, for us it starts getting bad, if you will, from day [deleted] on, and that is when we get to that [deleted] percent C-4 rating. Those early arriving units generally are in fairly good shape.

I think that probably answers the question, below [deleted] percent of them roughly being in C-4 status.

Senator DIXON. Well, I thank you.

Senator LEVIN. General Stapleton, if you were done with that—were you, Mr. Chairman? You were going to give me the answer to that modification of our NATO commitment. And the question was, [deleted]. And the question is, are we going to modify the commitment?

And you said you would let us know in classified session.

General STAPLETON. No, sir, we will not modify that commitment. The commitment is a requirements plan and we should not change it to make it a capabilities plan. The requirement should still be there for what we feel we need, [deleted].

Senator DIXON. I guess this is an obvious follow-on, but I presume our NATO allies—well, I do not know that I should presume that. [Deleted].

General STAPLETON. Yes, sir. In fact, that figures into this equation. The NATO aircraft, and the NATO ships figure into this equation, and we are finding the same problem in NATO that we are finding in the U.S. merchant marine fleets.

The fleet size is going down and newer ships are also becoming larger, where a bigger percentage of it is containerized ships, which we have to modify to use.

Senator DIXON. Well, I thank you, gentlemen. And I thank you, Senator Levin. And we will be sending you some written questions. I would appreciate very much the courtesy of a response at your earliest convenience.

This subcommittee session is adjourned.

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

Senator DIXON. General Stapleton mentioned in his statement the Integrated Priority Lists that the CINCs submit as part of the development of the annual Defense budget. I would like each of you to give us some indication of the items on the Integrated Priority List which your command submitted during development of the fiscal year 1988 and 1989 Defense budget now before the Congress?

General STAPLETON. USREDCOM's Integrated Priority List includes items in the areas of readiness improvement of assigned forces, sustainability, joint training of forces to ensure effective joint combat, command and control improvements, strategic lift systems, force structure improvements, improvements of Special Operations

Forces capabilities, and improvement of munitions effectiveness. According to the latest information available from our components (USARRED and USAFRED) and the Service staffs, the majority of programs that support USREDCOM's warfighting requirements have been funded over the FY 88-92 Five Year Defense Program (FYDP) and are in the Defense budget now before the Congress Briefings from our components indicate that the President's Budget meets approximately 78% of our total requirements over the FYDP. The major shortage is in the area of sustainability due to inadequate funding of Air Force wartime spares and Army war reserves.

General CRAIG. The CINCEUR Integrated Priority List covers the spectrum of activities throughout theater and follows priorities of Readiness, Sustainability, Modernization and Force Structure. Overarching priorities are removal of European Troop Strength ceiling and protection against terrorism. Categorically, areas identified as needed to provide adequate readiness and sustainability for forward stationed and reinforcing forces included: personnel, training, Combat Support/Combat Service Support, conventional munitions, prepositioning, Host Nation Support, mobility, collocated operating bases, and medical. Key capabilities tied to modernization included Follow-On Forces Attack, intelligence systems, counter-air C3, sustainment of tactical air operations, Electronic Counter Measures (ECM), Nuclear, Biological, Chemical, (NBC), Special Operating Forces (SOF) and antisubmarine warfare. Lastly, sought improvement of force structure through deployment, reinforcement and/or mobilization of reserves.

Considering the fiscal constraints under which it was constructed, the President's budget makes a concerted effort to ensure there is balance among the four pillars. The budget continues to support readiness and sustainability efforts despite growing pressure to increase emphasis on modernization and force structure. Key to our IPL requirements is a sustained 3 percent growth. Without it, we jeopardize the progress to date.

General PATTE. In the area of readiness and sustainability, there were about 12 major priorities. Included in this list were war reserve material, prepositioning of supplies, equipment, munitions and POL, strategic air-and sealift, POL distribution system, enroute support, intra-theater mobility, water systems and CS/CSS. In the main, the services responded well to our priorities. We, as I have indicated, are concerned about several areas. We would like to have seen more funding in procurement of Army war reserve material and Air Force spare parts (WRSK). The Army had to reduce funding to our POL distribution program but a fair capability is still attainable. Real success stories are strategic-sea and airlift, Air Force WRM prepositioning, and water program. While the problems in CS/CSS are still in-work to fix, the response to this priority has brought us closer to a solution than in times past. All in all, the services have responded well to our priorities.

Senator DIXON. General Craig, in the first 30 days of a NATO war, European Command would probably have to rely on a large number of Reserve Component combat support and combat service support units.

General Patte has not painted a very optimistic picture of the readiness of these Reserve units in Central Command.

What is the current readiness status of the Army Reserve Component combat support and combat service support units that would reinforce European Command in the first 30 days of a NATO war?

General CRAIG. The short answer is that the readiness status of the Reserve CS/CSS units designated for Europe is [deleted].

In terms of people, that is a total [deleted]. About [deleted] of that requirement is to be filled from the reserve component.

[Deleted.]

Senator DIXON. General Craig, your statement tells us how much some of your war reserve stocks have increased in the past few years, but you don't tell us how much you have today based on your wartime requirements.

What is the current sustainability posture of European Command's forces across all of the different categories of war reserve stocks?

General CRAIG. If I may refer you to the updated war reserve stockage charts provided for the record; the current status of each component's war reserve stockage posture is broken out by class of supply.

I would caution against trying to correlate this data directly with the 1984 data on the charts you asked me to update. Each reflects a snapshot of required and on hand balances as of a point in time. At first glance it might appear that our sustainability posture has [deleted] in several areas. Actual on hand balances [deleted] in almost every class of supply for each component. This apparent discrepancy results from a number of factors, primarily changes in force structure, changes in strategic planning, and changes from force modernization efforts. In most cases [deleted].

The real message you should get from that data is that [deleted].

[See charts on page 410 and 411.]

Senator DIXON. General Craig, how will this posture change if the President's fiscal year 1988/89 budget is approved in full?

General CRAIG. The President's budget provides a good balance of support for European Command's needs. I would expect to see the modest growth pattern we have had since 1981 continue, [deleted].

Senator DIXON. Please summarize your current ammunition sustainability posture, both in the area of threat-oriented, "smart" munitions and level of effort munitions.

General STAPLETON. USREDCOM has no theater warfighting responsibilities and therefore no sustaining stocks or theater reserves.

General CRAIG. First, let me say that there are smart and dumb munitions in each of the two categories mentioned; level of effort (LOE) and threat-oriented munitions. We do not capture "roll-ups" of our ammunition sustainability is approximately [deleted]. However, this roll-up [deleted] in specific preferred battle decisive munitions, both LOE and threat-oriented.

General PATTE. U.S. Central Command's munitions sustainability posture, based on [deleted] requirement, is 42% of the requirement for level-of-effort munitions and 38% of the threat-oriented munitions requirement.

Senator DIXON. Would each of you please indicate your priorities for munitions they are reflected in the fiscal year 1988-89 budget: Which specific munitions line items in the budget should we be most protective of from your point of view? Are there any munitions programs which are not in the FY 1988-89 budget which you think ought to be there?

General STAPLETON. Munitions and war reserve spares were addressed jointly as one of the highest priorities in the fiscal year 1988/89 budget. Since we have no particular sustainment or theater reserve requirements, we supported major increases in the acquisition of preferred munitions encompassing both threat-oriented and level of effort munitions. Briefings from the Army and Air Force indicate that both are procuring a balanced mix of missiles and munitions with particular emphasis on preferred and "smart" munitions; our only concern is that they are not buying enough. We are most concerned that the following Air Force munitions not be decremented in the budget: Advanced Medium Range Air-to-Air Missile (AMRAAM); High Speed Anti-Radiation Missile (HARM); Imaging Infrared (IIR) Maverick and the AGM-130 are currently in production. We also support development and eventual procurement during the FYDP for: Direct Airfield Attack Combined Munition (DAACM); Sensor Fused Weapons (SFW); Hardened Target Munition (HTM) and BIGEYE. For Army munitions we request support for: 155MM Dual Purpose Improved Conventional Munitions (DPICM); XM900, 105MM Tank round; TOW II; Hellfire; Sense and Destroy Armor (SADARM); and the M829 120 MM Tank round. The FY 88/89 budget contains all the munitions programs we believe capable of being funded in that timeframe; we have no additions.

General CRAIG. The budget reflects a good balance among our priorities as indicated in the CINC's IPL. We have asked for, and the budget will provide, some increases in each category of preferred conventional ammunition. These are: [deleted].

We would like to protect all of the munitions buys in the budget, but specifically we should protect buys of [deleted]. Many of the critical ammunition items are not specific budget line items: this makes it more essential that munition budgets are not reduced below the levels requested in the Budget.

General PATTE. U.S. Central Command's priorities for munitions in the budget are the Army's conventional munitions program due to shortages in Army level-of-effort munitions) and Air Force and Navy air-to-air and air-to-ground missiles.

As a minimum the following munitions items must be protected:

Army conventional munitions program

8" Projectiles (preferred)

155MM Projectiles (preferred)

25MM Bushmaster

Main tank ammunition (105 and 120MM)

Scatterable mines (Volcano/GEMSS)

2.75" Hydra 70 rockets

AIM-7 (Sparrow)

AIM-9 (Sidewinder)

AMRAAM

AGM-65 (Maverick missile)

AGM-88 (Harm)

AIM-54 (Phoenix)

TOW Missile
 1 Hawk Missile
 AGM-130 (precision guided bomb)
 Improved—2,000 lb bomb
 Copperhead (USMC)

No, there are no additional munitions programs which U.S. Central Command thinks should be included in the budget.

Senator DIXON. This committee has been concerned for some time with the overall state of wartime medical readiness. How do you assess the state of medical readiness and sustainability in your theater of responsibility?

General STAPLETON. Medical readiness and sustainability are undergoing major enhancements due to Defense Resources Board actions over the past four years. USREDCOM has supported accelerated funding of deployable medical systems and the Services have all responded accordingly. The acquisition strategies of the three Services, if maintained, indicate that most of the equipment shortfalls will be remedied during the FY88-92 Five Year Defense Program. The Services are also working with the Assistant Secretary of Defense, Health Affairs, to remedy personnel and specialty shortfalls currently impacting on medical personnel readiness. Support for Reserve Component recruitment programs will materially assist these efforts.

General CRAIG. As a result of actions initiated over the past three years, the U.S. European Command has demonstrated steady progress toward achieving a full wartime hospitalization capability. However, we still face a [deleted] of a NATO conflict. To rectify this situation, we have taken a number of steps ranging from the securing of host nation support agreements to the prepositioning of Deployable Medical System (DEPMEDS) equipment sets which are now being purchased by the Services. [Deleted] on an interim basis which, when combined with the existing U.S. capability, are sufficient to meet our current [deleted] requirements. These beds have been committed for the purpose of providing support only until the U.S. hospitalization structure can be fully activated. Therefore, it is imperative that the purchase of DEPMEDS equipment sets continue on the present schedule to ensure that we will have dedicated U.S. medical assets available to meet our requirements throughout a conflict. We are seeking other forms of host nation support, particularly the acquisition of land and buildings for use as facilities for prepositioning the DEPMEDS equipment.

With regard to casualty evacuation, the European Command has made significant progress toward meeting its wartime requirements. We will soon be in a position to deploy the CONUS-based C-9 fleet to Europe to augment the existing aeromedical evacuation aircraft in theater to move casualties on a dedicated basis. In addition, we have obtained substantial evacuation support from our [deleted]. We are now pursuing similar evacuation initiatives in other NATO countries, including the possibility of evacuating a portion of our expected casualties by sea.

Although we have made a great deal of progress in meeting our total medical readiness needs, we recognize that much remains to be accomplished. Moreover, satisfaction of medical sustainability requires continued commitment on the part of all concerned to the procurement of medical supplies for prepositioning as well as filling shortages in Reserve Forces medical staffing.

General PATTE. The current state of USCENTCOM's medical readiness and sustainability posture is less than adequate. [Deleted.] The shortage of wartime medical skills in the reserves also impacts on our ability to provide adequate medical care. With continued funding of the Deployable Medical System. (DEPMEDS), the bed shortages will be resolved by 1993. The critical skill shortage is being addressed through the Army Medical Department Enhancement program, bringing needed skills to the reserve structure. Sustained funding of programs will correct current deficiencies and enable USCENTCOM to adequately support its forces medically by 1993.

Senator DIXON. The fiscal year 1988/89 military construction request includes a number of contingency medical projects at overseas locations. Where do you rank these projects, and the associated equipment and materiel procurement, among your command's priorities?

General STAPLETON. USREDCOM has no overseas area proponenty. This question is best answered by CINCs with responsibilities overseas.

General CRAIG. The contingency medical facility projects contained in the fiscal year 1988/89 military construction request, as well as their associated equipment and materiel, are of substantial importance to the U.S. European Command because of the pressing need to continue to improve our overall medical readiness posture. As a result, they are included on USCINCEUR's Integrated Priority List. When completed, these projects will permit the prepositioning of the related medical

equipment and supplies in theater where they will be immediately available for the support of U.S. combat forces in time of war. However, I should note that contingency medical facilities do not compete directly with non-medical facility project requirements at the Unified Command level because medical project planning, programming, and budgeting activities are now processed separately by the Defense Medical Facilities Office. Nevertheless, a new procedure being established by that office will ensure that the European Command continues to be involved in the prioritization of those individual construction projects which make up the overall theater medical requirement.

General PATTE. This command has no contingency medical construction projects scheduled within our AOR currently.

Senator DIXON. Would each of you please give us an indication of the current training and operating level of the forces under your command—field training days, flying time, steaming time?

General STAPLETON. For our assigned Army forces, the operating tempo (OPTEMPO) rate for tracked vehicles is currently at [deleted] against a desired level of [deleted]. This decreased OPTEMPO level has an adverse impact on proficiency. Additionally, the Army's funding to increase monthly aircrew flying time in FY 88/89 to an average of 15.8 hours will have a positive effect on aircrew proficiency for USARRED units. For our assigned Air Force forces, the level of aircrew readiness has increased and we need to continue this trend. This has been due to an increase in flying hours and more realistic training accomplished through exercises and deployments. Flying hours have increased steadily to accommodate both a growth in the tactical forces to 37 tactical fighter wings and the goal to increase flying hours per fighter aircrew from 19.5 in 1986 to 20.7 hours/month by the end of FYDP. Participation by USAFRED units in Red Flag exercises has been greatly increased since 1980 from 2,400 to 4,500 sorties flown—an 87 percent increase. In addition, their participation in joint exercises and deployments has increased by 63 percent and 45 percent respectively over the past six years.

General CRAIG. In terms of the service component commands:

USAREUR. Ground OPTEMPO is currently funded at a [deleted] mile level; this level was achieved in fiscal year 1986, however, only because of funding reductions to non-readiness issues and because a weather-induced curtailment of the REFORGER exercise reduced funding commitments.

NAVEUR: Funding for a naval operating level of [deleted] steaming days was provided in fiscal year 1986. Insufficient funding for contingency operations, however, seriously impacted readiness during the fourth quarter of the year, when, because of contingency commitment expenditures, only a [deleted] steaming day operating level could be maintained. Carrier operations maintained aircrew qualification, but were insufficient to achieve required aircrew proficiency levels.

USAFE: Reduced funding for FY86 reversed a long-term graduated combat capability growth. Reductions in flying hours, weapons training deployment opportunities and Tactical Air Control System (TACS) simulator training adversely impacted readiness. For example, TACS training was funded for [deleted] in fiscal year 1986, against a requirement of [deleted] fiscal year 1985 funding for this program was [deleted].

General PATTE. As you are aware, USCENCOM has virtually no forces assigned except for planning purposes. USREDCOM will furnish the units we need to go to war. Therefore their overall response to this question is also applicable to USCENCOM.

Senator DIXON. Are your CINCs satisfied with this training and operating level?

General STAPLETON. For assigned Air Force forces, the answer is yes. Flying hours are "healthy" and the fiscal year 1988/89 budget contains the necessary funding to ensure continued operational training requirements are met. However, USCINCREC is concerned about the reduced OPTEMPO level for assigned Army forces.

General CRAIG. No; current training and operating levels are at the minimum acceptable level and cannot bear any reduction if we are to maintain readiness. It must be here noted that not only the direct funding of training and operations, but also those accounts which indirectly effect our training status, must be preserved. It is not, for example, possible to train on equipment that is not available because it is backlogged in depot maintenance.

Senator DIXON. Does the fiscal year 1988/89 budget make any changes to these training and operating levels?

General STAPLETON. The fiscal year 1988/89 budget reduces OPTEMPO rates to [deleted] USCINCREC considers OPTEMPO of [deleted] (tracked vehicles) to be the absolute minimum to maintain proficiency at the C-2 readiness level. The Army is,

however, exploring ways to bring OPTEMPO back up to the [deleted]. For our assigned Air Force forces, the fiscal year 1988/89 budget caps force growth to 37 wings vice the 40 wing goal by the end of the FYDP. The flying hour goal with 37 wings is requested at 20.7 hours/month per fighter aircrew over the FYDP.

General CRAIG. As noted in testimony, our visibility of theater allocation data is limited; within the context of that constraint, it would appear that the basic training and operating level accounts rise in the budget period. Ground forces OPTEMPO means at [deleted]. Air Force flying hours increase slightly (to [deleted]) and naval forces are funded to 50.5 steaming days. These figures may, however, be misleading. While funding levels for these direct accounts may be at least minimally sufficient, a number of other accounts which indirectly affect our readiness status decline: Army Backlog of Maintenance and Repair (BMAR) increases; depot maintenance is reduced to [deleted] of the fiscal year 1989 requirement and USAREUR military construction was reduced by [deleted]. A depot maintenance backlog will reduce Tactical Air Force sorties by [deleted] in fiscal year 1989. The Navy will be forced to defer six ship overhauls. These all impact adversely on the readiness of our forces.

Senator DIXON. The military services have submitted ambitious military construction requests for the installations supporting the forces assigned or allocated to your commands. Some of these projects have direct readiness impacts upon your area of responsibility, while others such as troop housing and family support, have indirect impacts through enhanced morale, retention, or efficiency. Would you each outline the five highest priority military construction projects, or types of projects, in this year's budget based on your CINC's perspective?

General STAPLETON. USREDCOM is not assigned an area of responsibility. Therefore, our Integrated Priority List did not contain requirements for military construction projects. This question is best answered by the military departments and CINCs with geographic areas of responsibility.

General CRAIG. In developing military construction priorities. European Command first identifies those programs that will provide the greatest benefit to the theater in terms of readiness and war fighting capability. Once key programs are identified and prioritized, individual projects needed to support them are evaluated and integrated into a priority list that permits concurrent progress in the key programs. Given the size of the European Command military construction program and the focus on programs versus individual projects, it is most appropriate to look at European Command priorities from a program perspective. The top five programs are summarized below in priority order.

Relocation of the Navy's command and control and support activities from the Naples area to Capua. Required to eliminate operational constraints, security shortfalls, and seismic safety problems.

Beddown of the Apache Helicopter. Essential to the rapid fielding of this potent tank killer.

Construction of the Combat Maneuver Training Center at Hohenfels. Required to provide realistic in-theater combined arms training for battalion-sized task forces.

Completion of the Reichel POMCUS facilities. Essential to the timely reinforcement of NATO.

Construction of maintenance hardstands and sheds. Getting Army vehicles out of the mud and under shelter will substantially improve readiness and soldier morale.

Most of the above and other high priority programs within European Command include projects constructed under the NATO Infrastructure Program. Therefore, it is critical that the U.S. contribution to the NATO Infrastructure Program be fully funded. The U.S. was the prime mover in obtaining an increase in the funding level of this program for the 1985-1990 cost sharing period. The decline of the dollar has cut our available contribution to NATO by almost 20 percent. Any decrease in appropriated funds will undermine U.S. efforts to get NATO support for the large backlog of U.S. requirements and severely degrade European Command capabilities.

An overarching concern as we work to make progress on high priority programs is taking care of our people. This includes improving living and working conditions, family housing, and schools, all of which pay high dividends in terms of morale, retention, and readiness in general.

General PATTE. As I stated in my prepared statement, MILCON projects we consider to be our top priorities are staging, pre-positioning, airfield enhancements, communications facilities, and logistic support facilities. The budget has \$35.1 million in FY 88 for staging support and maintenance at Diego Garcia and for airfield enhancements, communications facilities, and additional pre-positioning storage and support in Oman. FY 89 has \$32.9 million for intermediate staging and theater war reserve pre-positioning facilities. Your support for these moneys will assure that our

top priority MILCON needs are satisfied with a resulting increase in our ability to support USCENTCOM strategy.

Senator DIXON. The Navy has requested \$25M in fiscal year 1988 and \$3M in fiscal year 1989 to develop an overseas ship and cargo maintenance activity in Guam to support the Maritime Prepositioned Ships deployed in the Pacific and Indian Oceans. Can you discuss the readiness implications for your Command of this investment?

General PATTE. The MILCON cited is strictly for a facility to perform maintenance on the cargo aboard MPS 2 and 3, not for reconditioning of the ships themselves. The MILCON investment will definitely enhance readiness in terms of MPS days on station and the commensurate increase in capability of MPS to rapidly respond to contingencies/OPLAN execution. The Marine Corps conducted a study of a three year period comparing the existing one-site maintenance facility and the two-site maintenance facility concepts. By including Guam in the two-site concept the study indicated an increased on-station time of 11% or 117 days for MPS-2 (5 ships) and 18% or 193 days for MPS-3 (4 ships).

Senator DIXON. The Navy is proposing a \$245 million military construction program to relocate Navy command and control and support activities from their current site in the area of Naples to a new location at Capua, some 25 miles inland. This year's budget includes \$55 million in fiscal year 1988 and \$73 million in fiscal year 1989 to begin this project.

The reason for the proposal is the high level of seismic activity at the current location which has already damaged facilities and the concern for the safety of personnel and the adverse impact on the 6th Fleet's mission.

How does European Command view this project? Why are these Navy activities in Naples being relocated while a major NATO headquarters nearby has no apparent plan to move?

Where does this investment fit in your overall command priorities, particularly your facility modernization priorities?

General CRAIG. European Command fully supports the Navy's proposal to move its command and control and support activities from the Naples area to Capua.

Conditions at the Navy and AFSOUTH (NATO) locations are different regarding operational constraints, security problems, and seismic safety. First, operations are being constrained because space limitations at Agnano make it infeasible to construct urgently required new command, control, and communications, intelligence, and hospital facilities. AFSOUTH does not have a similar problem. Secondly, the Navy has serious physical security shortcomings that cannot be corrected at Agnano. AFSOUTH does not have a similar problem at Bagnoli, which has been a military enclave since its origin. Lastly, the Navy buildings at Agnano are more susceptible to major damage during seismic activity than the AFSOUTH facilities due to the quality of construction and types of structures. For example, the low-rise, massive concrete structures at AFSOUTH provide much greater seismic resistance than do the narrow, high-rise buildings at Agnano. Even if space were available, it would not be prudent to build new facilities in such a high-risk environment, particularly the required hospital. In addition, the physical configuration of Agnano and the limited access routes into and out of the area would make the provision of emergency care and patient evacuation extremely difficult, if not impossible, if a serious earthquake did occur.

The relocation of the Navy activities in Naples is the highest priority MILCON program in European Command.

QUESTIONS SUBMITTED BY SENATOR GORDON J. HUMPHREY

Senator HUMPHREY. General Craig, you state that "Today European command's forces are more capable than at anytime during the past eight years." But how capable are they compared to the threat and total requirements? As a percentage, how far have we come in the past eight years?

General CRAIG. While newer and more capable systems (F-15, F-16, M-1, etc.) have been introduced, there is no method which can statistically quantify the percentage of increased capability gained. This is also one of our limitations in assessing the threat, which has not only been modernizing but also increasing the quantity of personnel and equipment. While not a percentage answer, I can share that they have significantly reduced the technological edge we once held. Additionally, the numerical balance is generally in favor of the Warsaw Pact. If funding is reduced for USEUCOM forces, the Warsaw Pact lead will increase at an even faster pace.

Senator HUMPHREY. In the design and definition of the new readiness and sustainability measurement system, how much input does the operational commands have versus a Pentagon designed system?

General CRAIG. JCS requested our inputs on what should be measured how, and when. Initial indications are favorable that JCS will incorporate as much of the different CINC's inputs as possible.

Senator HUMPHREY. Over the past years, we have tried to get new measurements of readiness and sustainability, but the DOD has resisted. So if the military does not like the Congress using "S" and "C" ratings, new systems should be designed. Do you know if the new systems are being planned to show historical and future trends?

General CRAIG. No, I do not know if the new Preparedness system will show historical and future trends. This was suggested to JCS, but a draft copy of the proposed system has not yet been received.

Senator HUMPHREY. Would you support measurement systems or influences on measurements to show "increased capability" as a result of modernized weapons and equipment issues? Or would you support the current "C" rating system which measures weapons and equipment on hand regardless of capability? Is it possible to get false readiness measurements if a new system is overrated? How would you guard against an overrated system giving a false readiness measurement?

General CRAIG. USCINCEUR needs a better system for measuring capability. The current system does not measure readiness but instead provides the status of a unit's resources and training. The new "Preparedness System" should produce a more positive balance between the CINCs and the Services.

Yes, the new system could give a false measurement as the system is developed and fielded. My staff will work closely with components to ensure that "ratings" reflect reality.

Senator HUMPHREY. Your analysis of expected impacts of fiscal year 1988/89 request on European Command is based on 3% real growth. What will be the expected impacts of 0%?

Since all services have negative real growth in their fiscal year 1988 O&M request, are your statements based on an assumed 3% real growth or are they based on the funds requested?

General CRAIG. Our statements are based on the President's fiscal year 1988-89 budget. The O&M dollars requested represent the minimum necessary to continue the slow, but steady, progress being made in sustainability. Anything less would result in a decline to our readiness and sustainability posture.

As previously testified, war reserve stockage levels have increased about [deleted] from 1981-1986. While this pace is slower than we would ideally like, it is progress. The President's budget contains the minimum necessary dollars to continue that slow, but steady progress. The real danger is in yielding to the temptation to reduce the amount requested in this budget because O&M cuts are easy to make. We have already seen how deferring maintenance, reducing spare parts buys, and delaying fill on prepositioning programs can quickly snowball, negating years of hard work and tough budget decisions. We must not let that happen again.

We must also recognize that the decline of the dollar on world money markets in effect raises the readiness price tag for us in our Host Nation support agreements. For example, our 1982 agreement with the Federal Republic of Germany was based on exchange rates of DM3.25 to \$1.00. Since that time the dollar has fallen about 45%. This impacts equipment procurements of FRG sourced equipment and unit activations. If the budget were further constrained by applying reductions below the President's request, we would only aggravate this situation and send a negative signal on U.S. commitment to our HNS agreement.

This same currency fluctuation also impacts on our efforts to improve the living and working conditions for our people, and construction of needed facilities to support new missions. As our existing real property ages, more O&M dollars are needed to avoid a recurrence of the maintenance and repair backlog that existed in the 1970s.

Again, I emphasize that the President's budget provides a good balance of support for our priorities, and contains the minimum necessary dollars to maintain modest progress across the board.

Senator HUMPHREY. On page 7 of your statement you list "fertile areas to get the most out of defense dollars." Does this list apply to European Command only or would it apply to all commands? Are you giving us a hint of current or potential problem areas?

General CRAIG. Areas noted in testimony represent European Command's perspective. In the event 3% budget growth is sustained over the FYDP, we see no reason why our needs cannot be met over the long term.

Senator HUMPHREY. On page 8, you recommended tailoring the measures of readiness and sustainability to be management tools to determine what future dollars should and will buy, and for whom. If such a system is designed, can the total DOD, service, and/or CINC readiness and sustainability be determined?

General CRAIG. Yes, I believe an overall "preparedness level" for this command could be determined. However, it will be difficult to design a system which will provide a meaningful comparison to other commands or the Services. The major benefit would be to the CINC, who would have a tool to help him get the most improvement in "preparedness" for each dollar spent.

Senator HUMPHREY. General Patte, since a large majority of the force you would command (both combat and support) are apportioned to you, what real control or oversight do you have in their readiness and sustainability?

General PATTE. It is the function of each service to organize, train and equip their forces to conduct prompt and sustained combat operations. The primary purpose of a unified command is to deploy and employ all U.S. Military forces in the most effective way. The unified commander achieves unit of effort among the service forces assigned through operational command, common strategic plans and directives, and sound operational and administrative directions as provided by the National Security Act of 1947. The unified commanders primary means to "control" or "oversee" readiness and sustainability is through the use of the CINC's Integrated Priority List (IPL). Through this list the CINC highlights all areas important to his warfighting capability that need improvement/correction by one or more services. The services then periodically brief the Unified Commander concerning budget or other actions taken to resolve these shortfalls. Additionally, a quarterly briefing from each service provides current status and other information concerning ongoing programs to improve all readiness problems.

Senator HUMPHREY. Under your discussion of readiness of the Army, no real program or solution appears available to solve the shortages. Do you have any suggestions?

General PATTE. The Army readiness program of most importance to USCENCOM is the readiness level of the non-major Combat Support/Combat Service Support (CS/CSS) unit that support our major OPLAN. Most of these units are in the Reserve Component. The Army is well aware of our concerns and is currently emphasizing programs designed to improve the situation. These programs involve cross leveling equipment to improve the number of units at the minimum acceptable combat readiness state, selectively procuring vital equipment items to improve readiness in early deploying units through an Equipment Readiness Code Program, improved equipment procedures for exclusive Reserve Component readiness improvement and other programs to improve personnel readiness. Personnel readiness concerns revolve primarily around MOS qualification shortfalls. The lack of MOS qualified personnel is one of the major reasons Army Reserve Component (RC) CS/CSS units are experiencing difficulties in the area of personnel readiness. Three major efforts are underway by the Army to correct this personnel readiness deficiency. First, twenty-one Regional Maintenance Training Sites are being established to address the MOS issue. Second, Army is targeting completion of the reconfiguration of RC courses for critical CS/CSS skills by fiscal year 1992. This reconfiguration process takes existing training courses for Active Component units and tailors them to meet normal reserve participation periods, that is, during the two week annually tours and weekend inactive duty training periods. Third, and finally, Army is working the specifics of placing 24 month limits on MOS qualification. This Army readiness program is a giant step to improve or resolve the vast problems in this area. Your support to Army readiness issues in the fiscal year 1988/89 Budget is the primary suggestion we propose to begin the long get-well process.

Senator HUMPHREY. Again on the subject of apportioning troops, are you comfortable with the allocations to your command versus the needs and threats? Has a system of priorities been established or does it depend on each situation?

General PATTE. As General Crist has pointed out to the full committee, the USCENTCOM tiger has the substance to give the Soviets pause. Our apportioned combat forces are ready and we have the means to move them rapidly into the theater. So, we are comfortable with the progress achieved by the United States over the last half dozen years. However, the Soviets have also made considerable progress in terms of organization, numbers of forces, equipment and readiness, and in their diplomatic efforts throughout the USCENTCOM Area of Responsibility. To maintain credible deterrence we must continue our momentum and make improvements in

many areas, including command and control, sustainability, security assistance, combat support and combat service support forces to name some of the most important. We must also continue our military and diplomatic initiatives to achieve the needed coalition warfare capability within our economy of force strategy. While we take these and other actions we must be mindful of the overwhelming numerical superiority the Soviets could bring to bear if they choose to do so in the region. They must remain convinced that the area and oil resources are vital to the U.S. national interest and be assured of U.S. commitment and resolve.

With regard to priorities, there are actually several systems in being. Some are used for long range planning purposes. Some are used for crisis situations. Those for planning vary on the degree of resource constraints assumed and on the scenario. Those for a crisis contain the flexibility to respond to different situations. In our force planning and apportionment we continually try and expand the number of sound options available to the National Command Authorities. Underlying all priority determinations are the fundamental national priorities ascribed by the Congress.

Senator HUMPHREY. In your chart on page 4, serious shortfalls exist in the Combat Support and Combat Service Support Areas. Are these shortfalls representative to all CINCs or is it unique to CENTCOM?

General PATTE. While I do not intend to speak on behalf of the other unified commands, a quick review of prior testimony by the various CINCs, as well as numerous studies, would indicate that this is not a USCENTCOM unique problem.

Senator HUMPHREY. In your chart on page 9 on sustainability, are the shortfalls representative of all CINCs or is it unique to CENTCOM?

General PATTE. While I cannot speak on behalf of the other unified commanders, a quick review of prior CINC testimony as well as numerous reviews and studies would indicate that, while the figures may vary slightly, shortfalls in sustainability is not a USCENTCOM unique problem.

Senator HUMPHREY. Your needs for war reserve materials in just about all categories to meet your shortfalls are inconsistent with fiscal year 1988-89 budget request. The DOD request may be balanced, but they still are low in comparison to requirements. Will the low requests further hurt your current situation?

General PATTE. Improvement in War Reserve Material (WRM) is currently among USCENTCOM's third warfighting priorities. The Army estimates that each day of supply improvement in WRM represents approximately \$2B. Obviously, we realize that resolution of WRM shortages is not a short term project. However, USCENTCOM's particularly long lines of logistical support dictate that WRM be available quickly after hostilities begin to ensure their timely arrival in theater to replace expected combat losses/consumption. Overall, current DOD requests will allow only modest improvement in some areas of WRM and maintenance of status quo in others. We do not see current requests "hurting" or causing a downward trend at this time. USCENTCOM highly recommends no further reductions in WRM requests and hopes for your support of all service WRM programs.

Senator HUMPHREY. Munitions requests are going down. Will this not further hurt your sustainability situation?

General PATTE. Certainly, any reduction in our munitions request will impact on our sustainability posture. However, if the fiscal year 1988-89 budget submission for munitions programs is appropriated, we will see a significant improvement to both our level-of-effort and threat-oriented munitions.

Senator HUMPHREY. Since the USCENTCOM is heavily dependent on pre-positioning of materials, a balance between storage facilities and materials arrival is critical. Are the current requests and schedules balanced?

General PATTE. Yes they are. As you know we are constrained in meeting our pre-positioning objectives by country access. As access is negotiated we also advise the host of the desired types and quantities of assets that we wish to pre-position. At the same time a determination is made regarding the method of host country storage, i.e., can we lease existing facilities, can build-to-lease be accomplished or must a new facility be built with MILCON funds. Thus, during the early stages of negotiation we and the host mutually agree on the size and composition of our package and the facility requirements for that package. A facility is then obtained (by lease or build-to-lease) or constructed (MILCON) prior to the arrival of pre-positioned assets. The arrival of our assets in the AOR is timed to coincide with storage availability. Looking beyond pre-positioning, our components and the service depots maintain CONUS stockpiles of WRM destined for USCENTCOM support. Some of the WRM in CONUS stockpiles would, if host nation access were granted, be pre-positioned. Again, we would necessarily go through the quantity/facility negotiation process.

Senator HUMPHREY. Since USREDCOM is so interdependent on other services and agencies, did the DOD Reorganization Legislation have a major effect on your ability to perform your assigned roles and missions?

General STAPLETON. The full implications of the DOD Reorganization Legislation are not yet known since many provisions of the new law are still in the process of being implemented throughout the entire Department. However, the law presents opportunity for increased involvement in joint operational/training and logistics matters by giving CINCs clear authority in these areas over assigned forces and subordinate commanders. Moreover, by codifying current informal procedures into law (e.g., CINC involvement in the budget process), the legislation will allow for greater CINC visibility over programs and budget requests to assure adequacy of warfighting requirements.

Senator HUMPHREY. One of the major responsibilities of REDCOM is planning and executing joint operations and training exercises. What is the trend in exercises? (More/less, larger/smaller). Are the joint exercises adequately funded to achieve training objectives?

General STAPLETON. The trend is toward smaller yet more effective joint exercises. Expanded use of USREDCOM-developed Joint Warfare Center, Joint Exercise Support System, and Joint Theater Level Simulation will lead to increased conduct of command post exercises from home station in lieu of deployment. Increased conduct of function-specific joint exercises (e.g., emphasizing joint tactical air operations) will reduce the need for larger deployments of forces since only the joint warfare systems and personnel essential to examine specific procedural requirements will be fielded. USREDCOM believes that joint exercises are adequately funded to achieve training objectives, although airlift funding is projected to decrease throughout the FYDP.

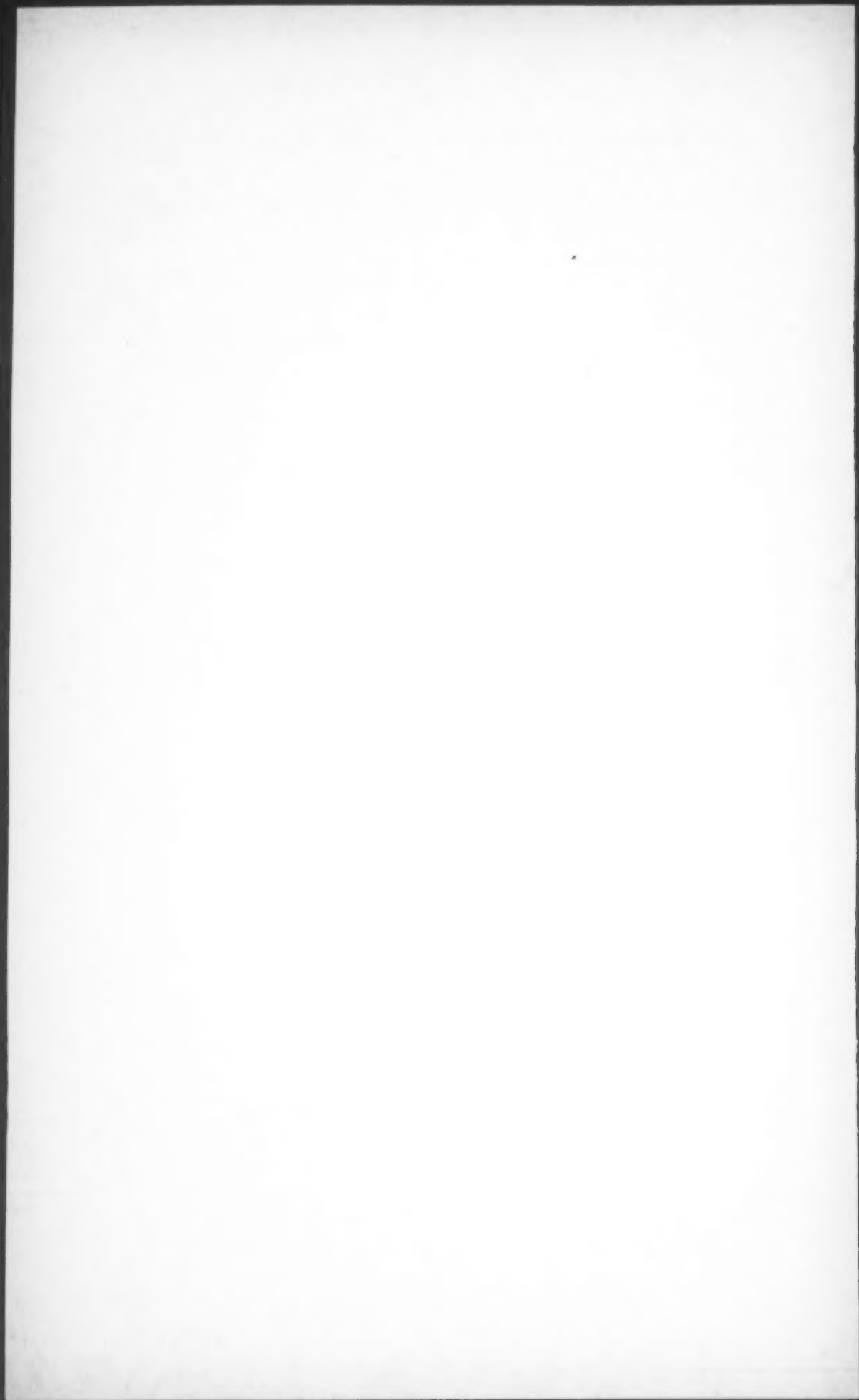
Senator HUMPHREY. On page 7 you voice your concern about some of the individual Services decisions not to fund items (e.g. wartime spares) which will directly affect your readiness and sustainability measures. We too have similar concerns. Does the budget process provide adequate procedures for you to voice your concerns? Does the CINC to Service or DOD feedback loop on the budget priorities actually achieve results?

General STAPLETON. The budget process allows us to identify our issues through our Service components to the Services. We maintain liaison with both during development of Program Objective Memoranda (POM) and are briefed by the Services and given an opportunity to comment on the treatment of our issues prior to POM lock. We subsequently can raise issues during the summer DRB cycle if we feel that Service support is inadequate. CINC involvement with both the Services and OSD does produce results. CINC issues are examined thoroughly, tracked separately through the POM process and satisfied to the extent possible given TOA available and other priorities considered.

Senator HUMPHREY. From your statement, the shortfalls in strategic lift, both air and sea, will continue until the next century (page 12). Is the shortfall more an air or sea problem? Except for more funds and/or higher priority in the budget process, what can be done to address the problem? Would reductions in overseas commitments also reduce the requirements?

General STAPLETON. The shortfalls in strategic lift apply to both sealift and airlift. The Revised Intertheater Mobility Study (RIMS) is currently reassessing strategic lift requirements. Continued support for the C-17 is essential if we are to meet the inter- and intra-theater airlift requirements forecast. The Navy has made considerable progress in procuring vessels for the Ready Reserve Force and developing modification hardware to permit containerships to handle unit equipment. The decline in the number of vessels, cargo and tankers, in both the US and NATO fleets projected into the next decade indicates that additional sealift assets beyond those presently programmed may be required. Additional funding or changes in priority should await the results of RIMS. Reductions in overseas basing would not reduce the OPLAN requirements and therefore would increase the lift requirements at time of execution. The pre-positioning of more equipment overseas could reduce the transportation burden, but it decreases flexibility and increases vulnerability to preemptive attacks. Improvements in strategic early warnings and streamlining the decisionmaking process to permit deployments at the earliest opportunity may assist in closing the gaps between desired and actual closure times.

[Whereupon, at 4:05 p.m., the subcommittee was adjourned.]



**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEARS
1988 AND 1989**

THURSDAY, MARCH 5, 1987

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

**CURRENT READINESS AND SUSTAINABILITY POSTURE OF U.S.
FORCES**

The subcommittee met in open session, pursuant to notice, at 1 p.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senators Dixon, Levin, and Bingaman.

Staff present: Robert E. Bayer, John J. Hamre, George K. Johnson, Jr., Ronald P. Kelly, David S. Lyles, and Patricia L. Watson, professional staff members; Mary J. Kampo, staff assistant.

Also present: Greg Weaver, assistant to Senator Levin; Charles C. Smith, assistant to Senator Dixon; and William J. Wight, assistant to Senator Warner.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator Dixon. Gentlemen, Senator Humphrey, our ranking member, has an appointment at the White House with the President right now, and has advised that he will be back here in about an hour. So I ask you all to excuse his absence at the beginning of this hearing.

The Subcommittee on Readiness, Sustainability, and Support meets this afternoon to continue our hearings on the fiscal years 1988 and 1989 authorization request. This is our second and final hearing with the designated representatives of the Unified Commanders in Chief.

Maj. Gen. Thomas Darling is the Deputy Commander in Chief of the Atlantic Command; and Rear Adm. Hugh Webster is the Director for Logistics and Security Assistance of the Pacific Command.

Gentlemen, we welcome you to the subcommittee, and we appreciate your being here this afternoon. Your full statement will of course be included in the record. We will have questions after you have given your oral testimony. We will proceed in open session as long as possible.

I have a few questions which will probably require classified answers, so I suggest we postpone any classified discussions until the end of the hearing when we will have a brief closed session.

Now the way we did that yesterday, if I inadvertently should ask you or any of my colleagues questions that you feel are classified, we will honor your judgment in that regard and, when we clear the room later—you can clear that side, and we will clear this side—we will talk about those things that are more properly under classified circumstances.

Maj. Gen. Thomas Darling, would you please proceed.

**STATEMENT OF MAJ. GEN. THOMAS DARLING, U.S. AIR FORCE,
DEPUTY COMMANDER IN CHIEF, U.S. ATLANTIC COMMAND**

General DARLING. Mr. Chairman, I am pleased to have this opportunity to discuss the Atlantic Command's preparedness to go to war today and the ability to sustain our forces once they are deployed in conflict.

My plan is to discuss readiness, sustainability, and support, including a little bit on military construction, housing and medical issues in terms of improvements, and where we are now in the projections of these items through the fiscal year 1989 funded delivery period.

As you know, the Atlantic Command is predominantly a maritime command with more than 45 million square miles of ocean. It is all water except the Caribbean Islands, Iceland, and the Azores; about half the size of the command of my colleague here from the Pacific.

Our strategy is a forward one. It capitalizes on our ability to concentrate maritime forces, seize the initiative, and sustain our combat efforts in areas where the payoff is greatest. While we have responsibilities for a variety of potential regional conflicts within our area of responsibility, execution of our plans in a global conflict would be our most demanding task.

Our mission in a global war with the Soviets is to support the land campaign in Europe in two practical ways: to maintain our sea lines of communications to ensure the safe and timely flow of reinforcement and resupply; and the direct application of combat power in support of the land campaign.

To accomplish this mission, the Atlantic Command is assigned forces from all services. The Atlantic Fleet is our largest component consisting of 50,000 marines of the Fleet Marine Force Atlantic, 2,000 aircraft and more than 300 ships, including 30 ballistic missile submarines. The Atlantic Fleet also provides assets to the U.S. European Command and the Central Command.

The Air Force Atlantic could provide up to 1,400 tactical aircraft, a squadron of B-52s, tankers, and AWACS aircraft, should they be required.

Our Army Atlantic forces could consist of up to three combat divisions. I should point out that our Army component does not provide forces on a day-to-day basis, however, they are apportioned during planning and would be allocated in actual combat.

The same is true for our Air Force component, except for the Air force units that are assigned day-to-day in Iceland. All of the Atlantic Fleet is assigned to the Atlantic Command for operations.

I will talk just a moment about some achievements over the last several years. I will refer primarily to service achievements initially, and then components.

UNIT READINESS

Unit readiness indicators have increased over the last several years. Positive trends in sustainability are also evident as previous investments in spares and munitions procurement continue to pay off.

The foundation of our improved readiness has been the ability to attract and retain quality people. I would say we have come a long way since those grim, disappointing days of 1979 and 1980 when we could not operate some of our ships and aircraft for lack of trained and quality people. There is much improvement over those years.

I can tell you that the Department of the Navy sustainability funding has increased at an average annual rate of 11 percent annual growth over the last 5 years. The Navy ordnance stocks are now between 20 and 90 percent larger than in 1981. Overall combat readiness for surface ships has improved 111 percent; attack subs, 69 percent; aviation squadrons, over 200 percent. These figures represent the percent of increase from fiscal year 1981 to fiscal year 1985 in the number of days units reported C-2 or better. I think you are familiar with those category ratings. C-2 meaning it possesses the resources and has done the training to do the bulk of its wartime mission.

The Army has realized significant sustainability improvements. War reserve stocks increased from 62 to 73 percent. Major items such as tanks increased from 47 to 70 percent; and secondary items, such as engines, from 25 to 53 percent.

Although the Air Force has reduced its war readiness spares funding since fiscal year 1986, its prior year investment in spares, including peacetime operating stocks, have significantly increased combat sortie generation capability by 70 percent since 1981. Air-to-air missile inventories, the AIM-7Fs and Ms, the AIM-9L and Ms, increased by 140 percent and 700 percent respectively from 1980 to 1986. In addition, tactical aircraft down for supply and maintenance have been reduced by 67 percent. Well, those are just some statistics about services. It is sometimes hard to break down a service budget and identify specific parts that support the Atlantic Command. I will try to do that a little bit as I review our components warfighting capability.

COMPONENT READINESS

I would like to talk about component readiness now. The readiness of our component forces is at its highest point in many years. I did not say the best ever, but I have read and heard many of our senior people say that it is the best ever. That would be my judgment, too, but "ever" is a long time and I would not extend it back that far. I can assure you that the readiness of our components is very good today.

I have some classified charts that I would be glad to share with you in closed session.

Senator DIXON. Good. We have some charts as well, General, so we will do all that in the closed session. We might visit with you about some other charts that I think are okay for an open session when you have concluded, General. Then we will do the other charts in the classified session.

General DARLING. Again, back to component readiness. For the Atlantic Fleet, readiness is high and has remained essentially constant over the past 2 years. The Navy is operating at a tempo that is higher than what we operated at during the Vietnam war, and the major readiness indicators show we are doing it considerably more effectively. For readiness indicators I would include time free of significant casualty reports, low off-ship requisitions, high state of readiness, and reliable equipment; those all show we are operating very effectively today.

Senator DIXON. Pardon me, General. Excuse me. I was inquiring of staff about one of the statements you made. I appreciate your pausing. Please proceed.

General DARLING. Mission capable, and full mission capable rates are two indicators used to measure both aircraft and weapon systems readiness. Since 1981, overall rates for deployed aircraft have improved 27 and 80 percent respectively, while the subset of aircraft deployed on carriers has improved 30 percent and 85 percent.

OPTEMPO is another indicator of readiness. It is measured in steaming days per quarter for ships, and in flying hours required to be primary mission ready for pilots. OPTEMPO funding is adequate in fiscal year 1987, and remains so in the fiscal years 1988 and 1989 budget.

Active and Reserve Air Force units apportioned to LANTCOM are mission ready. Aircraft mission capable rates average 86 percent. That is a 46 percent increase since 1980. Air crew indicators such as average sorties per month, pilot experience, and joint exercise training all show marked improvement over the early 1980s. The aircraft mishap rate is half what it was in 1980.

I think this is a remarkable improvement in our tactical air forces. The Tactical Air Command has given me a long list of achievements that indicate improvement in readiness over these past 6 years, and I would be glad to provide that for the record.

[The information referred to follows:]

TACTICAL AIR COMMAND COMBAT CAPABILITY IMPROVEMENTS

<u>AIRCRAFT INDICATORS</u>		<u>1980</u>	<u>1986</u>	<u>IMPROVEMENT</u>	
• TAF WING-EQUIVALENTS (FIGHTER/ATTACK)		34.3	36.7	UP	2.4 WGS
• TAF NEW AIRCRAFT (FIGHTER/ATTACK)					
• A-10		362	661	DOUBLE THE NUMBER OF FIRST-LINE FIGHTER AIRCRAFT	
• F-15		438	740		
• F-16		135	913		
	TOTAL	935	2314		
• TAF C ² AND EC AIRCRAFT					
• E-3		20	33	UP	65%
• F-4G		90	102	UP	13%
• EC-130		7	25	UP	257%
• EF-111		0	42	UP FROM 0	
<u>WEAPONS INDICATORS</u>					
• AIR-TO-AIR MISSILES — PROBABILITY OF SUCCESS					
• AIM-9 ON F-4				UP	127%
• AIM-7 ON F-15				UP	88%
• AIR-TO-AIR MISSILES — INVENTORY					
• AIM-9L/M				UP	725%
• AIM-7F/M				UP	140%
• AIR-TO-SURFACE MUNITIONS					
• IMPROVED ACCURACY (CEP IN FEET)					
— F-4 vs F-16 (135' vs 40')			ACCURACY	UP	70%
— F-4 vs F-15E w/GBU-15 (135' vs 3')			ACCURACY	UP	98%
<u>AIRCREW INDICATORS</u>					
• TYPICAL RED FLAG (SORTIES)	2,400	4,500	UP	87%	
• JOINT EXERCISES	19	31	UP	63%	
• AIR WARRIOR SORTIES (SINCE 1982)	—	2,910	UP	360%	
• TAC DEPLOYMENTS	22	32	UP	45%	
• AIR-TO-AIR TRAINING (SORTIES)	56,168	88,814	UP	58%	
• COMPOSITE FORCE TRAINING (SORTIES)	3,500	5,620	UP	60%	
• TAC 3 YEAR AVERAGE MISHAP RATE	6.0	3.0	DOWN	50%	
• EQUIVALENT SAVINGS OF OVER 2 COMBAT - CODED FIGHTER/ATTACK SQUADRONS					
• TAC FLYING HOURS	605,167	730,841	UP	21%	
• AIRCREW SORTIES PER MONTH	11.4	13.5	UP	18%	
• PILOT EXPERIENCE	40	54	UP	35%	
• PILOT RETENTION	42.0	53.7	UP	28%	
<u>MAINTENANCE INDICATORS</u>					
• MISSION CAPABLE RATES	59.1	86.3	UP	46%	
IMPROVED BECAUSE:					
• AIRCRAFT OUT FOR SUPPLY	16.4	5.5	DOWN	66%	
AND					
• AIRCRAFT OUT FOR MAINTENANCE	30.8	9.9	DOWN	68%	
• SORTIE UTILIZATION RATES	16.6	20.4	UP	23%	
• HOURLY UTILIZATION RATES	24.0	28.6	UP	19%	

FAMILY SERVICE CENTERS

General DARLING. Our component commanders continue to emphasize personnel quality of life issues at the highest levels. Recent Navy initiatives have included expansion of the family services centers that provide a myriad of counseling and assistance services. Implementation of the PERSTEMPO/OPTEMPO plan, and time on station and minimum activity tour initiatives, provide personnel with the opportunity to spend more time with families, and to remain in one geographic area for longer periods of time. Shipboard habitability has improved dramatically with emphasis on improved berthing and messing facilities.

Army and Air Force initiatives and investments in quality of life programs, such as family support centers, services and habitability improvements, and recruitment and retention of quality people are producing an even more ready force.

If we are to maintain our forces at the level needed to accomplish our mission, then we must ensure that compensation remains competitive with that offered nationally—and I would point out that studies show that it has slipped behind the civilian sector, some 9.4 percent since 1984.

SUSTAINABILITY

A few words on sustainability. The logistics sustainability of Atlantic Command forces continues to improve as we receive the deliveries of munitions and spare parts from prior year funding. Atlantic Fleet munitions inventories will have increased by over 200 percent for level of effort, and 150 percent for threat ammo between fiscal year 1981 and the end of fiscal year 1987.

Afloat spares have improved 33 percent. Our Air Force component's sustainability has also improved. The level of effort ammo increased over tenfold, and the ability to generate tactical aircraft sorties from spares availability increased by over 70 percent.

The fiscal years 1988 and 1989 budget continues the incremental growth necessary to improve some logistics sustainability capability. Within the Atlantic Command, Navy level of effort ammo will increase by another 5 percent of requirements, threat munitions 9 percent, and afloat spares will remain very high.

The trend in sustainability, however, is not entirely optimistic. Shortages in Air Force threat munitions will hold component capabilities low through fiscal year 1987. Small increases will be realized from fiscal years 1988 and 1989 funding. Budget cuts in fiscal year 1986 and 1987, plus reductions in Air Force war reserve spares will reduce sortie generation by 19 percent in fiscal year 1991.

The overall sustainability of the command's two Army theater reserve brigades will remain inadequate because of minimal fiscal years 1988 and 1989 funding of outstanding requirements.

In strategic lift, a considerable number of our wartime force movement times have been delayed to fit requirements into our share of the total lift. The C-17 aircraft will improve the lift capability and thus the ability to execute our mission.

Although much has been accomplished in improving sustainability, much remains to be done. It is important that the sustainabil-

ity improvements provided by the fiscal years 1988 and 1989 budget programs be fully supported. For in the end, capability to sustain combat operations will determine the outcome of a war.

SUPPORT

A few words on support. We strongly support the program to increase funding for family housing and decrease the housing deficit. While there is some controversy over leasing versus buying, that is not as important as getting on with reducing the 64,000 unit deficit in DOD housing.

Programs to increase military family housing by 250 units in Iceland and to lease 330 units at Lajes in the Azores are important to the people in the command. There are also a number of military construction projects for critical mission requirements in Iceland and the Azores. For example, in Iceland these include POL storage tank expansion and the Iceland air defense system upgrade which are NATO cost-shared. Lajes programs include upgrades to airfield lighting and the crew readiness facility.

HOSPITAL BED SHORTAGE

We have a serious shortfall in the availability of theater hospital beds. The deployable medical system program will provide hospital beds to reduce the shortage. However, none of these beds is available at the present, and only a fraction of the required beds will be available by the end of fiscal year 1988.

Overall readiness of the force depends heavily on our ability to recruit, train and retain the skilled personnel to man our increasingly complex weapon systems. A key element in this effort is a credible, effective health care system, capable of providing for our families, both active and retired, while accomplishing its medical readiness and contingency missions.

We need to restore the serviceman's confidence in the health care system. Continuing shortages of critical wartime medical personnel and the supporting structure they require, such as facilities, equipment, and ancillary staff, compromise our ability to augment our expanded wartime medical system and to provide comprehensive peacetime health care.

Our ability to maintain and improve our posture will depend heavily on holding the steady course that has been set to rebuild our forces, and the tradeoffs we have made to keep those forces ready and sustained.

In the first half of the 1980s, substantial growth occurred in defense spending with a very large percentage of the growth applied to spare parts and ammunition, which improved both readiness and sustainability of our forces. Modernization and force levels funding also experienced growth, but to a lesser degree.

While reducing funding in many areas to accommodate recent reductions, the services have provided adequate funding for the programs which contribute directly to readiness. For instance, the Navy has reduced funding for modernization, spare parts, ships and aircraft. Its shipbuilding program reductions since the 1984 Presidnet's budget was submitted, if executed as requested for fiscal year 1988-1989, will result in a loss of almost 30 ships.

The Air Force has had to reduce its near term tactical fighter wing goal from 40 to 37, with reductions in F-15 and F-16 programs. Similarly, fiscal year's 1988 and 1989 munitions funding, while still increasing many stocks, reflects slowed sustainability improvements in threat and level of effort munitions.

Sir, although problems remain, the fiscal years 1988 and 1989 budget represents the appropriate balance between providing the resources necessary to support current readiness and sustainability of our forces and modernization.

This completes my presentation. I would be pleased to respond to any questions.

[The prepared statement of Major General Darling follows:]

PREPARED STATEMENT OF MAJ. GEN. THOMAS G. DARLING, USAF, DEPUTY
COMMANDER IN CHIEF, U.S. ATLANTIC COMMAND

INTRODUCTION

Mr. Chairman, and members of the committee, I am pleased to have this opportunity to discuss the Atlantic Command's preparedness to go to war today and the ability to sustain our forces once they are deployed in conflict.

I will discuss readiness, sustainability, and support, including military construction, housing and medical issues in terms of improvements, where we are now, and the projections of these items through the fiscal year 1989 funded delivery period.

THE ATLANTIC COMMAND

The Atlantic Command is predominately a maritime command with a forward strategy that capitalizes on our ability to concentrate maritime forces, seize the initiative and sustain our combat efforts in areas where the pay-off is greatest. While we have responsibilities for a variety of potential regional conflicts within our area of responsibility, execution of our plans in a global context would be a most demanding task. Our mission in a global war with the Soviets is to support the land campaign in Europe in two principal ways:

To maintain our sea lines of communication to ensure the safe and timely flow of reinforcement and resupply, and

The direct application of combat power in support of the land campaign.

To accomplish the mission, Atlantic Command is assigned forces from all Services.

The Atlantic Fleet is our largest component consisting of 50,000 Marines of the Fleet Marine Force Atlantic, 2000 aircraft, and over 300 ships including 30 ballistic missile submarines. The Atlantic Fleet also provides assets to USCINCEUR and US-CINCCENT. Air Force Atlantic could provide up to 1400 tactical aircraft, a squadron of B-52s, tankers and AWACS aircraft should they be required. Army Atlantic forces could consist of up to three combat divisions.

ACHIEVEMENTS

Unit readiness indicators have increased over the last several years. Positive trends in sustainability are also evident as previous investments in spares and munitions procurement continue to pay off. The foundation of our improved readiness has been the ability to attract and retain quality people. Today our active forces are combat ready.

The Department of Navy sustainability funding has increased at an average annual rate of 11% annual growth over the last five years. Navy ordnance stocks are now between 20 and 90 percent larger than in 1981. Overall combat readiness for surface ships has improved 111%, attack subs 69%, aviation squadrons over 200%. These figures represent the percent of increase from fiscal year 1981 to fiscal year 1986 in the number of days the units reported C-2 or better. (C-2—Unit possesses resources and has accomplished the training necessary to undertake the bulk of the wartime mission for which it is organized and designed.)

The Army has realized significant sustainability improvements. War reserve stocks increase from 62 to 73%; major items, such as tanks, increased from 47 to 70%, and secondary items, such as engines, from 25 to 53%.

Although the Air Force has reduced its war readiness spares funding since fiscal year 1986, its prior year investments in spares including peacetime operating stocks,

have significantly increased combat sortie generation ability by over 70% since 1981. Air to air missile inventories, AIM 7 and AIM 9, increased by 140% and 700% respectively from 1980 to 1986. In addition, tactical aircraft down for supply and maintenance have been reduced by 67%.

COMPONENT READINESS

The readiness of our component forces is at its highest point in many years.

For the Atlantic Fleet, readiness is high and has remained essentially constant over the past two years. The Navy is operating at a tempo higher than during the Vietnam War and the major readiness indicators show we are doing it considerably more effectively. "Mission capable" and "full mission capable" rates are two indicators used to measure both aircraft and weapon systems readiness. Since 1981, overall rates for deployed aircraft have improved 27% and 80% respectively, while the subset of aircraft deployed on carriers has improved 30% and 85%.

OPTEMPO is another indicator of readiness. It is measured in steaming days per quarter for ships and in flying hours required to be primary mission ready (PMR) for pilots. OPTEMPO funding is adequate in fiscal year 1987 and remains so in the fiscal year 1988/89 budget.

Active and reserve Air Force units apportioned to LANTCOM are mission ready. Aircraft mission capable rates average over 86%—a 46% increase since 1980. Aircrew indicators such as average sorties per month, pilot experience, and joint exercise training all show marked improvement over the early eighties. The aircraft mishap rate is half what it was in 1980.

Component commanders continue to emphasize personnel quality of life issues at the highest levels. Recent Navy initiatives have included expansion of the Family Service Centers that provide a myriad of counseling and assistance services. Implementation of the PERSTEMPO/OPTEMPO plan, and time on station and minimum activity tour initiatives, provide personnel with the opportunity to spend more time with families and to remain in one geographic area for longer periods of time. Shipboard habitability has improved dramatically with emphasis on improved berthing and messing facilities.

Army and Air Force initiatives and investments in quality-of-life programs, such as Family Support Centers, services and habitability improvements, and recruitment and retention of quality people are producing an even more ready force.

If we are to maintain our forces at the level needed to accomplish our mission, then we must ensure that compensation remains competitive with that offered nationally.

SUSTAINABILITY

The logistics sustainability of Atlantic Command forces continues to improve as we receive the deliveries of munitions and spare parts from prior year funding. Atlantic Fleet munition inventories will have increased by over 200% for level of effort and 150% for threat ammo between fiscal year 1981 and the end of fiscal year 1987. Afloat spares have improved by 33 percent. Our Air Force component's sustainability has also improved: level of effort ammo increased over tenfold and the ability to generate tactical aircraft sorties from spares availability increased by over 70%.

The fiscal year 1988/89 budget continues the incremental growth necessary to improve some logistics sustainability capabilities. Within the Atlantic Command, Navy level of effort ammo will increase by another 5% of requirements, threat munitions 9%, and afloat spares will remain high.

The trend in sustainability, however, is not entirely optimistic. Shortages in Air Force threat munitions will hold component capabilities low through fiscal year 1987. Small increases will be realized from fiscal year 1988 and 1989 funding. Budget cuts in fiscal year 1986 and 1987, plus reductions in Air Force war reserve spares will reduce sortie generation by 19% in fiscal year 1991. The overall sustainability of the command's two Army theater reserve brigades will remain inadequate because of minimal fiscal year 1988/89 funding of outstanding requirements.

In strategic lift, a considerable number of our wartime force movement times have been delayed to fit requirements into our share of the total life. The C-17 aircraft will improve the lift capability and thus the ability to execute our mission.

Although much has been accomplished in improving sustainability—much remains to be done. It is important that the sustainability improvements provided by the fiscal year 1988/89 budget program be fully supported. For in the end, capability to sustain combat operations will determine the outcome of a war.

SUPPORT

We strongly support the program to increase funding for family housing and decrease the housing deficit. While there is some controversy over leasing versus building, that isn't as important as getting on with reducing the 64,500 unit deficit in DOD housing. Programs to increase military family housing by 250 units in Iceland and to lease 330 units at Lajes in the Azores are important to the people in the command. There are also a number of military construction projects for critical mission requirements in Iceland and the Azores. For example, in Iceland these include POL storage tank expansion and the Iceland Air Defense System upgrade which are NATO cost shared. Lajes programs include upgrades to airfield lighting and the crew readiness facility.

We have a serious shortage in the availability of theater hospital beds. The Deployable Medical Systems Program will provide hospital beds to reduce the shortage; however, none of these beds is available at present, and only a fraction of the required beds will be available by the end of fiscal year 88.

Overall readiness of the force depends heavily on our ability to recruit, train and retain the skilled personnel to man our increasingly complex weapon systems. A key element in this effort is a credible, effective health care system, capable of providing for our families, both active and retired, while accomplishing its medical readiness and contingency missions.

We need to restore the serviceman's confidence in the health care system. Continuing shortages in critical wartime medical personnel and in the supporting structure they require (such as facilities, equipment, and ancillary staff) compromise our ability to augment our expanded wartime medical system and to provide comprehensive peacetime health care.

PB FISCAL YEAR 1988/89 BUDGET

Our ability to maintain and improve our posture will depend heavily on holding the steady course that has been set to rebuild our forces and the tradeoffs we have made to keep those forces ready and sustained. In the first half of the eighties, substantial growth occurred in defense spending with a very large percentage of the growth applied to spare parts and ammunition, which improved both readiness and sustainability of our forces. Modernization and force levels funding also experienced growth, but to a lesser degree.

While reducing funding in many areas to accommodate recent reductions, the Services have provided adequate funding for the programs which contribute directly to readiness. For instance, the Navy has reduced funding for modernization, spare parts, ships and aircraft. Its shipbuilding program reductions since the fiscal year 84 President's Budget was submitted, if executed as requested for fiscal year 1988/89 will result in a loss of almost 30 ships. The Air Force has had to reduce its near term tactical fighter wing goal from 40 to 37 with reductions in F-15 and F-16 programs. Similarly, fiscal year 1988/89 munitions funding, while still increasing many stocks, reflects slowed sustainability improvements in threat and level of effort munitions.

Although problems remain, the fiscal year 1988/89 budget represents the appropriate balance between providing the resources necessary to support current readiness and sustainability of our forces and modernization.

This completes my presentation and I am prepared to answer your questions.

Senator DIXON. Thank you.

Rear Adm. Hugh L. Webster, Director of Logistics and Security Assistance, U.S. Pacific Command.

We are delighted to have you, sir.

**STATEMENT OF REAR ADM. HUGH L. WEBSTER, U.S. NAVY,
DIRECTOR FOR LOGISTICS AND SECURITY ASSISTANCE, U.S.
PACIFIC COMMAND**

Admiral WEBSTER. Thank you very much, Mr. Chairman.

I am pleased to represent Admiral Hays, Commander in Chief of the Pacific Command, who sends his respect and gratitude to this committee for focusing on areas that he considers top priorities—readiness and sustainability.

As we all know, the Pacific area's responsibility is vast. The United States must maintain a ready force with smart, well-trained personnel and modern equipment to ensure that we go about our strategy in an effective way. But to prevail in battle, we must be able to sustain these forces over a protracted period of time.

We feel that the fiscal years 1988 and 1989 budget is a balance between readiness, sustainability, and modern equipments. Our strategy, Mr. Chairman, is based on the fact that we are a maritime theater. As you well know, our area of responsibility stems from the west coast of the United States through the Indian Ocean to the East Coast of Africa.

STRATEGY

The cornerstone of our strategy is to prevail at sea and to maintain sea lines of communication. This strategy has two parts, a peacetime and as warfighting strategy. The peacetime strategy consists of maintaining a high state of readiness for all of our components. We do this through training, exercises, and through military-to-military diplomacy.

Our warfighting strategy ensures that our forward units are highly mobile combat ready, and are rapidly reinforceable. These forces are comprised of over 350,000 men and women of the U.S. Marines, Navy, Air Force, and Army.

In the Pacific Command, the Navy has the predominant share with over half of the Navy's forces in the Pacific, and two-thirds of the Marine forces. Our Army components are made up of two infantry divisions, one in Korea and the other stationed in Hawaii.

Our Pacific Air Force has five tactical fighter wings, one at Clark Air Force Base, two in Japan, and two in Korea.

PERSONNEL

Personnel is the key element of readiness. We are very fortunate that the people joining the military are the best ever. This is quite evident in the Pacific Command. The personnel joining are of high quality, articulate, technically smart, and are able to respond to various situations. They are flexible.

They are a most important element. If I may relate a situation which happened last November when I led three ships into Ching Do, China; I think the whole Nation was extremely proud that 1,000 Navy personnel and 32 Fleet Marines were such outstanding ambassadors of good will. Not only were they ambassadors of good will, but they were personnel who were proud of their equipment, had the ability to operate it and were proud to be part of the military representing our country.

I think this is extremely important because it is indicative of the high quality of people who are entering all of our services today. It also represents the fact that our people programs over the past several years have been working. Our people are aware that their leaders and the Congress, know their needs and are taking action on them.

In the area of training, we conduct 85 significant exercises per year throughout the Pacific Command. These are done regularly as

joint exercises with other services or as combined exercises with other nations. Some are bilateral, some multilateral, but they indicate our increased emphasis on interoperability.

Right now, TEAM SPIRIT, the largest exercise in the Free world, is ongoing. This consists of over 200,000 personnel from all services, including the Republic of Korea. I was fortunate to participate in TEAM SPIRIT 1986, and from my observation the interoperability of all the services, the Marine Corps, the Midway Battle Group offering air defense to land forces and the ships at sea, the ground forces which included the divisions of the Republic of Korea Armies, the Second Infantry Division, and the Air Force providing combat air support, was truly a team effort.

This was all under the command and control of the commander of our U.S. Forces and combined forces in Korea, General Livsey. It was a cooperative effort and is indicative of the state of training that our forces in the Pacific enjoy.

EQUIPMENT READINESS

We have made significant gains in equipment readiness. As we will discuss at the later session, you will see the categories have improved considerably. We are moving toward the positive side, but we still do have some concerns.

Combat support and combat service support personnel are lacking. We are lacking modern equipment and training. This is a force structure manning problem that needs correction.

MODERN MUNITIONS

These are combat multipliers and we still, despite significant gains in this arena, are lacking sufficient numbers of air-to-air missiles and threat-oriented munitions.

AIRLIFT AND SEALIFT

My colleague from the Atlantic Command has indicated the needs there, and I echo those particular requirements. We are approaching the goal. Our goal is 66 million ton miles per day. This can be achieved for airlift provided we continue with the C-17 program. If we continue with that, we will have 80 percent of this 66 million ton mile goal by 1992, and 100 percent in 1998.

SEALIFT

The requirement for 850,000 short tons of sealift is our goal. We are at 91 percent. We have to recognize that our merchant fleet is declining. We will need to make adjustments in some of the merchant container ships to ensure that they can handle break bulk. In addition, we need to procure more break bulk compatible ships to outfit the Ready Reserve Force.

Mr. Chairman, we have made ammunition sustainability improvements in the last few years. The 25th Infantry Division in 1980 was at an extremely low level but in 1987 is at 93 percent of its requirement for ammunition.

The Air Force has improved its numbers of Sparrow and Sidewinder by three times, and the Navy's stockpile has increased by 175 percent. Spare parts: The Navy is almost 100 percent, the

Army is up 200 percent, and the Air Force is up 600 percent since 1980.

MILITARY CONSTRUCTION

In the arena of military construction over the past years we have made significant improvements in the Diego Garcia runway, POL storage and dockage areas. We have considerably increased the capacity of our hospital in Hawaii and new barracks for our troops in Korea have been constructed.

There has been a 13 percent decrease in the past 2 years, but the 1988-1989 budget request will reverse this trend.

I have talked considerably about readiness and sustainability. I believe those two areas are really inseparable. When you look at them together they provide a great synergism. Together, they are a considerable combat multiplier.

Mr. Chairman, in conclusion, in balance we are doing well in the Pacific Command. Our equipment works and is better maintained. Our people are America's finest. The governments and economies in the region are maturing and growing.

Our objective is to deter, but if that fails we are ready to fight and to win. With your support, we can protect the national interest in the Pacific.

Thank you sir.

[The prepared statement of Rear Admiral Webster follows:]

PREPARED STATEMENT OF REAR ADM. HUGH L. WEBSTER, USN DIRECTOR OF LOGISTICS AND SECURITY ASSISTANCE, U.S. PACIFIC COMMAND

Mr. Chairman and members of the committee, I am pleased to represent Admiral Hays, commander of U.S. forces in the Pacific, who sends his greetings and respectfully congratulates this committee for its focus on areas that he considers top priorities—sustainability and readiness. We in PACOM view my appearance here as an important development because USCINCPAC has a vital interest in the people and equipment to meet our mission requirements in peacetime and wartime.

INTRODUCTION

In the Pacific area of responsibility, as in other areas of the world, the United States must maintain a ready military force consisting of smart, well trained, and fit personnel who are equipped with modern, capable equipment. But, as this committee knows, a ready force is not enough. We will not prevail for long in the Pacific or anywhere else unless we can also sustain and support that force. A balanced combination of readiness/sustainability and modern equipment is our goal.

Before I address readiness and sustainability in detail, I would like to provide you with a brief snapshot of the USPACOM and our strategy.

USPACOM

The Pacific has taken on a new look. Our defense commitments, cultural links and economic interests are of significant global importance to our present and future national security. These nations of the Pacific Rim have arrived on the world scene. Today, Japan is our largest trading partner, the economy of the Republic of Korea is rapidly growing and in general the economies of the region offer much prospect for success.

The Soviets have not let this Pacific economic emergence go by unnoticed. With his July 1986 Vladivostok speech, Secretary General Gorbachev has signaled a new and bold assertion of Soviet influence throughout the Pacific supported by military forces which we view as a first-rate offensive fighting force with sea denial and power projection capabilities.

Against this backdrop, democratic ideals are flourishing, and our own interests in the region have grown exponentially. All this has taken place under an umbrella of U.S. military power that has provided the external security necessary to internal

development. The theater's size, the substantial political maturing, the dynamic economic growth, and the resultant increase in importance in world affairs suggest, as claimed by many, that the 21st century will be "the century of the Pacific".

STRATEGY

The Pacific region is by geography a maritime theater and our ability to prevail at sea is the cornerstone of any Pacific strategy. The challenge is greatest in the northwest Pacific where the predominant Soviet threat is located.

Our strategy can be divided into two parts—peacetime and warfighting. In peacetime we maintain a high state of readiness through constant training and frequent exercises, much of which occur in the forward areas and with our allies. In the process we satisfy a condition vital to the credibility of our deterrent—a capable, forward deployed force with a reliable, survivable, and flexible command, control and communication infrastructure. This force is prepared to fight and win should deterrence fail. Beyond that, we attempt to use our military resources and conduct military-to-military diplomacy in ways which assist in the maintenance of a stable environment and which help counter Soviet influence.

Our warfighting strategy is predicated on the fact that a conflict with the Soviets is unlikely to be confined to a single geographic area. One must assume that the Soviets, with worldwide satellite communications, rapid transport, a two front war posture, and facilities to maintain close coordination between widely dispersed forces and allies, will attempt to preempt U.S. capability wherever it is located. With Soviet forces now ranging throughout the Pacific, our warfighting strategy is based on forward deployed, highly mobile, interoperable, combat ready forces, capable of fighting effectively in both joint and combined operations. By posturing forward early during the pre-conflict period, both deterrence and tactical positioning for combat are well served. In summary, our military strategy in the Pacific is built upon the deterrent value of a maritime edge, forward deployed forces capable of being rapidly reinforced, strong alliances, good relations with non-allied friends, and expanded U.S. influence throughout the region.

We look to our allies to support this strategy. Japan has a growing appreciation of the threat to Japanese interests posed by Soviet military forces and developed a creditable self defense force. Japan's commitment to defend sea lines of communications out to 1,000 miles, the decision to fund fully the second year of its 1986-1990 mid-term defense program, the surpassing of the self-imposed barrier of 1% of its gross national product to its own defense and increased contributions to labor cost sharing, all bode well for shared security interest and represent movement toward the increased Japanese defense spending we have urged. The Republic of Korea is also dedicated to improving an already formidable military force and will spend about 5.5% of its gross national product on defense in 1987. In spite of its growth and increased capability, the country is faced with an unpredictable threat from the north, one that has numerical superiority in warfighting equipment and troops. The combined U.S.-ROK forces, increasingly integrated and interoperable, are capable and postured to deter adventures from Pyongyang.

In addition to Japan and Korea, we have strategically located facilities in the Philippines which are key to our interest and our allies' in the Pacific. We have an extensive bilateral military exercise program with Thailand as well as many other friendly nations throughout the region. Below the Equator, we benefit from a strong alliance relationship with Australia. Extensive military-to-military activity serves our mutual best interest. We especially benefit by the support for joint facilities, port visits by our Navy ships, and use of training areas. Both our nations benefit from an extensive bilateral training program and personnel exchange programs.

U.S. FORCE CAPABILITIES

With regard to U.S. force capabilities in the theater, the largest military component in the Pacific Command is our Pacific Fleet. Approximately one-half of the total U.S. Navy strength and two-thirds of our active Marine force structure are in USPACOM, reflecting the maritime nature of the theater. There are two active component Army divisions, one based in Korea and the second, our strategic Reserve, in Hawaii at Schofield Barracks. The Air Force has five tactical fighter wings, one based in the Philippines, and two each in Japan and Korea. Thanks to the support of the Congress, and, in particular, this committee, investments in modernization and force structure are now realized in this command's improved readiness.

Force structure changes, such as the movement toward a 600 ship Navy, the conversion of the 25th Infantry Division in Hawaii to a light division, beddown of a second MISA-based F-16 squadron, later this year, and the activation of our

second squadron of maritime pre-positioning ships (MPS) have enhanced our ability for rapid response. From Trident submarines to special operations forces, we in the Pacific are prepared to operate across the full spectrum of conflict—the essence of our deterrence strategy.

READINESS OVERVIEW

Admiral Hays stated in his 27 January testimony before the full committee, that force readiness is a category of daily interest to operational commanders. As one of the four pillars of defense, readiness is an integral part of our Nation's military capability and we believe should not be viewed in isolation from the others during the budgetary process.

As a result of previous congressional support for our military programs, we have seen long sought improvements in our readiness picture over the last few years. The force readiness achieved within the Pacific Command is good and improving and we continue to measure and monitor closely its deterrent value in the presence of a growing Soviet Pacific theater force.

PERSONNEL READINESS

We are happy to report that the men and women of the Pacific Command are the best we've ever had. The "people programs" of the past few years are paying off. We have a marked quality advantage over our adversaries; however, keeping that qualitative edge will not be an easy or inexpensive task. Challengers still remain in recruiting and reenlistment. Last year the services met and in some cases exceeded recruiting objectives, but it followed a three year decline. In 1982, first term reenlistments were at 53 percent. They have steadily declined to 48 percent last year. Also, the reenlistment percentage of career service personnel peaked in 1983 at 86 percent and became a decline to 83 percent in 1986.

To minimize these challenges we should sustain our people oriented programs as a hedge against the realities of an improving economy and a dwindling manpower pool. As the most important element of our nation's defenses, our people must continue to realize that the government is aware of, and responsive to, their needs. Our support must be equal to the role our people play. We can reassure them of our loyalty and dedication to them by establishing and maintaining a pay and benefits program that is comparable with our civilian counterparts.

INTELLIGENCE READINESS

Another key element is intelligence. Information about potential enemy's intentions, military force strength, locations, and capabilities means we can posture our own forces more effectively. Good intelligence is a force multiplier, increasing the readiness of all our military forces. We need your continued support for the national and tactical intelligence initiatives in this budget.

TRAINING READINESS

To be a truly ready force we have to practice regularly our skills through joint exercises and multinational combined training to maximize our interoperability. The vast area of the Pacific Command (over 100 million square miles) coupled with the varied differences among the nations requires that we conduct numerous regional exercises. When possible, we combine smaller exercises or incorporate them into JCS directed worldwide exercises to gain maximum return consistent with budgetary and operational requirements and to increase our joint and combined effectiveness.

Our Pacific Training Program contributes greatly to communications interoperability as well; both between our own services for joint operations and for combined operations with our allies. Communications interoperability serves to enhance our overall readiness posture. Post-exercise critiques indicate a continuing refinement of our capabilities and preparedness. U.S. Pacific Command forces hold about 85 significant exercises per year. Using primarily forward deployed units, and often incorporating host nation forces, our goal is to demonstrate resolve, enhance our interoperability, and build our military capability and coalitions. Our Exercise Program provides the best method for training and evaluating operational plans and readiness while emphasizing multinational cooperation with our friends and allies.

EQUIPMENT READINESS

Operationally ready equipment rates continue to be within acceptable limits. The technological advances together with the maintainability of our newer aircraft, ships, weapon systems, and support equipment provide a far more potent and effective ready force. Maintenance training and management programs are paying dividends in higher fully mission capable rates for our aircraft: For example, the Air Force F-4E 1981 FMC rate was 39% in the Pacific while the 1986 rate was 65%. The F-15 1981 FMC rate was 62% with a 1986 rate of 80%. The F-16 rate was 70% while the 1986 rate was 83%. For Pacific Fleet aircraft, the Navy F-14A had a fully mission capable rate increase of 21% since 1982, while the A-6E had a 37% increase. For the Pacific Fleet marine F/A-18, the increase has been almost 75% since 1983. For the Army, our 25th Infantry Division, which has nearly completed conversion to the Army's light configuration, has shown steady improvement in equipment serviceability. Likewise our expanding fleet of modern ships is more capable and maintainable—with weapons systems to match. Since 1983 the average number of ships reporting significant equipment related readiness degradations has decreased by fifty percent.

Since 1980, we have had a net gain of 23 surface combatants, including two battle-ships, and 12 submarines. These new ships have produced a younger mean age for our fleet and their presence is reflected in the improving sustained readiness of the Pacific Fleet. The severe readiness problems of a few years ago are disappearing. Now, when a ship has a casualty it does not persist. The skilled sailors have the spare parts and new, better designed systems to repair the problem. Both time to repair and time between failures have improved. This results in longer time between emergency repair needs, as well as more opportunities for scheduled maintenance without an undue increase in OPTEMPO for the remainder of the fleet. The net effect for all equipment modernization programs should be a commensurate increase in capabilities over the older equipment along with a decreased down time for failed older parts. For example, in sorties per day, today's F-16C has proven to be three times as effective as the F-4E was in 1980. Its air-to-air capability is one-and-a-half times more effective and its air-to-ground capability has almost doubled.

READINESS CONCERNS

Although our readiness posture is moving to the positive side, we do have a few concerns. One is the readiness of our ground combat support and combat service support units. Force structure manning limits, particularly in our forward deployed active and reserve augmentation units, which are needed early in a conflict, lack modern equipment and trained personnel.

Other areas which affect our warfighting preparedness.

Modern munitions: Stand-off precision, air-to-air and air/surface-to-surface to keep pace with the technological advances of Soviet standoff weapons delivery platforms. Paramount to our ability to use these assets effectively is the availability of these munitions to meet training proficiency requirements. This instills confidence and competence in our personnel and enhances our combat readiness accordingly.

Aerial refueling: Land-based, airborne tankers to enable both land-based and ship-based aircraft to perform combat missions at greater distance and with a wider variety of targets. KC-135 modernization and KC-10 deliveries have begun to partially alleviate our serious global shortfall.

Airlift/Sealift: Lift assets to respond quickly and effectively to low as well as high intensity conflict and maximize the advantages of the Army's new light division. Our capability to move forces into contested areas increases our credibility.

Command, control and communications infrastructure: Reliable, expandable and relocatable state-of-the-art systems. Equipment which is survivable and interoperable is vital for positive, direction of our combat forces under the stressed environment of combat.

Spare and repair parts: The ability to maintain and repair our expensive combat equipment and return it to action in the shortest possible time is essential to our total readiness posture.

The fiscal year 1988/89 defense budget provides an adequate framework within the competing interests for defense needs. We have made gains in our readiness. If we are to sustain these gains we have to continue to support our men and women through fair compensation. We need trained personnel to man our expanding fleet and combat support/combat service support organizations, and we must meet the needs of maintaining our technological edge over a Soviet Pacific force whose modernization efforts are accelerating.

SUSTAINABILITY IMPROVEMENTS

Sustainability remains our top conventional warfare concern in the Pacific. We have made much progress in sustainability the last few years. Our theater stockpiles of ammunition, spare parts, and petroleum have steadily grown. In wartime these theater stockpiles will be essential to sustain our forces until we can be resupplied from other war reserve material stored in the continental U.S.

Our gains in ammunition have been particularly important. In 1980, the 25th Infantry Division (ID) had limited ammunition available for its use if employed outside of the Republic of Korea. Today, we have 93 percent of authorized ammunition for it to be an effective force anywhere in the theater. During the same period, the ammunition stockpile in Korea for both the 25th ID and Eighth U.S. Army rose by 85 percent.

While we have a way to go to reach our objectives for modern munitions, the picture is also much brighter for our air and naval components. The Air Force has more than tripled the number of AIM-7F/M and AIM-9L/M air-to-air missiles stored in the Pacific since we began our defense improvement. Likewise, our naval forces have increased their ammunition stockpile by 175 percent and, to meet the growing submarine threat, the Navy has almost doubled its stores of sonobuoys in the Pacific.

As with ammunition, our spare parts status has also greatly improved. This improvement has occurred concurrent with the modernization of our forces. Because we have had to modernize our weapon systems to meet the growing Soviet threat, we have also had to replace some of the existing spares in our pre-positioned war reserves. For example, as we converted units from F-4's to F-16's or F/A-18's, many of the F-4 spares could not be used in the modernized units—it was a case of the F-4 1950's technology not being compatible with the state of the art technology in the F-16 or F/A-18. Many of the older spares had to be shipped to units outside our theater which have not been modernized. Even with this modernization our pre-positioned war reserves have grown. Today, our afloat naval forces have almost their full authorization of repair parts. Army war reserves have gone up some 200 percent since 1980, while Air Force stocks are up almost 600 percent.

The story is much the same for petroleum. We have raised our stocks by over 10 million barrels, or by about 75 percent in the last seven years.

I cite these statistics to show you that in the U.S. Pacific Command, we are seeing the payoff from your investment in pre-positioned war reserves. At the same time, however, we still need your continued support before we will have sufficient war reserves to sustain a protracted conventional conflict.

SUSTAINABILITY CONCERNS

Many of the munitions we do have are not "smart" or precision-guided. While we do have large stores of older munitions, they do not allow us to take full advantage of the inherent capabilities of today's delivery platforms. Using "dumb" munitions increases the risk of failure and increases the number of times and the length of time that we have to expose our sophisticated platforms to hostile forces. This exposure, of course, would lead to a higher attrition of our forces. We have a proposed balanced program for increasing our stockpiles of these modern munitions. These programs take into account the capacity limitations on our production base and the need to keep costs down by developing competing sources of supply. In the area of petroleum, of particular concern is the requirement to move forward large quantities of incorrectly positioned petroleum products. This situation is caused by a lack of adequate storage in some areas of the theater. We are reducing this problem through a combination of military construction and leasing or commercially owned tankage at key locations. In the command and control communications area, we are making progress in insuring the survivability of essential communications in conventional conflicts. We need an improved capability to reconstitute a communications network in the post-attack era. The ability to do this will require additional communications equipment pre-positioned at locations for deployment.

As you well know, the threat we are facing is not static. As our potential adversary's capabilities have grown, so have our requirements. Ammunition, spares, and petroleum requirements have gone up significantly since 1980. Because these requirements have grown, we still need continued support to meet all of our pre-positioning needs. Beyond our pre-positioned war reserve we must have adequate stocks of other war reserve materiel in the continental U.S. to resupply our forces in protracted wartime. Backing all this up must be an industrial base capable of surging to wartime production rates.

We are also actively working with our allies in the Pacific to develop host nation support, to reduce the requirements on the U.S. logistics system. Both Japan and Korea have provided a substantial amount of peacetime support to our forward deployed forces—\$2 billion per year in offsets. We have made such agreements in the Republic of Korea and are developing an umbrella agreement to tie them all together. The extension of the NATO Mutual Support Act to Korea and Japan will also contribute to improving our sustainability. This legislation allows us to exchange from our Japanese and Korean allies such things as ammunition and other supplies as well as transportation, communications, maintenance and medical services. These items and services may be replaced, or exchanged for substantially identical items. However, we may not use this agreement for buying or selling major end items. In peacetime, we are limited to a \$10 million liability. Because our allies also have sustainability shortfalls, we have encouraged them to improve their own sustainability. We have entered into agreements with both Thailand and the Republic of Korea in which they have agreed to make significant improvements in their war reserves.

The Security Assistance Program further contributes to increased sustainability not only improving our friends' and allies' military capability to deter conflict, but also by increasing the interoperability among the forces in the theater thus making logistics mutual support possible.

AIRLIFT/SEALIFT

Having said that, supplies, equipment and munitions are obviously of little value to our combat units without a timely manner of moving them. Lift is an essential variable in the sustainability equation.

Airlift capability has been studied extensively over the years, and virtually every study has concluded that we need more. Paying for this needed airlift is an issue. The congressionally-mandated mobility study and corresponding DOD efforts established a fiscally realistic goal of 66 million ton miles of intertheater airlift capability per day. The U.S. Air Force airlift master plan examined various ways of meeting that goal and mapped out a comprehensive strategy of buying C-58 and C-17 aircraft. The C-5 buy has been completed and the C17 is budgeted for the next ten years. With this plan we are making progress and by 1992 should achieve approximately 80% of that goal. If we procure 210 C17's we should satisfy overall DOD airlift requirements by 1998.

We in the Pacific theater are particularly dependent on airlift because of the vastness of our area of responsibility (AOR). Accordingly, we fully support the Air Force's efforts to enhance airlift capability. The timely introduction of the C17 aircraft into the inventory is basic to achieving the mobility necessary to support our strategy in the Pacific.

Defense guidance for fiscal year 1988 to 92 directed that we have enough lift to move 850,000 short tons (SIT) of unit equipment (UE) capable sealift (after providing sealift for the combat logistic forces, maintenance withhold and allowance for resupply ammunition on UE capable shipping). Today, counting both the U.S. Government controlled merchant shipping such as the Ready Reserve Force (RRF), fast sealift ships (FFS), maritime pre-positioning ships (MPS), and the non-government controlled i.e., U.S. flag shipping, we have 823,000 S/T of lift available or about 91% of the goal. At the same time however, the U.S. merchant fleet is declining in total numbers of ships and changing its composition from breakbulk to container ships which are much more economical to operate. In order to make use of this type of ship the Navy is buying seashed systems, and flatracks which, when fitted in the container cells on the ship, make it suitable for carrying unit equipment but time consuming to offload. The Navy is buying enough to outfit 25 container ships.

Some of the strategic sealift capacity shortfall will be made up by the purchasing of militarily useful ships from the civilian shipping community and placing them in the RRF. Currently, there are 81 ships (73 dry cargo/8 tankers) in the RRF with a goal of 120 (100 dry cargo/20 tankers) by 1992. All together the Navy has budgeted \$77 million in fiscal year 1988 and \$51 million for fiscal year 1989 for this sealift enhancement.

READINESS SUSTAINABILITY INDIVISIBILITY

At the outset I mentioned that readiness is not enough by itself. There will be casualties . . . attrition of personnel and equipment . . . mechanical breakdowns, and fuel and munitions will be expended. The force must also be sustained. In my view, readiness and sustainability are inseparable. There is an overlap that binds the two together as an integral part of a successful military force. When discussing

readiness and sustainability, I accept that a great synergism exists which is analogous to a combat multiplier.

Past modernization and force structure investments have paid dividends in improved readiness. To me the examples I have cited are proof of the inseparability of readiness, sustainability, modernization and force structure, our four pillars of defense. To maintain our military superiority, we must sustain our maritime superiority to include modern aircraft carriers.

MILITARY CONSTRUCTION

An adequate military construction budget is essential to readiness, sustainability, and quality of life. Over the past several years, Pacific Command components have made significant improvements to readiness and sustainability through the MILCON Program. Notable examples include improving the base at Diego Garcia, increasing the capacity of Tripler Army Hospital, and constructing many new barracks in Korea. Unfortunately Pacific construction budgets have decreased by over thirteen percent in each of the past two years. The fiscal year 1988-89 request seeks to reverse the slippage.

Radar support facilities in the Aleutians will complete site work begun in fiscal year 1987 for the relocatable over-the-horizon radar. Command, control, and communications facilities are requested at several locations. New POL storage construction will put the fuel closer to when we need it for wartime. Ammunition storage facilities will improve our safety and protect inventory from deterioration in leaky buildings or open storage. Training ranges will be built to give our combat forces the decisive edge in battle. Maintenance facilities for aircraft, ships, missiles, vehicles, and ammunition are budgeted to support quality care for our weapons systems. Proposed construction in Guam will support in-theater maintenance of the \$1.8 billion inventory of ordnance, equipment, and supplies forward deployed on the maritime pre-positioning ships.

Our waterfront needs upgrading. The newer ships require more shoreside power and better fendering as well as other systems.

Military construction is an essential element of the readiness and sustainability of our forces. We should take a balanced approach to readiness, sustainability and the construction that supports it.

CONCLUSION

On balance, we are doing well in the Pacific. Our forces are equipped with hardware that works, and our ranks are filled with America's finest. Governments and economies in the region continue to mature and the importance of this area to our strategic interest and our allies will continue to grow in the future. Our constant objective is to deter conflict while remaining prepared to fight decisively if necessary.

We employ a two part strategy—one for peacetime that identifies best use of available resources and military forces to further national security interests, and one for conflict that addresses the threat. The Soviet Union has made the decision to become a Pacific power, a status it has never fully enjoyed. In recognition of the new realities of the Pacific, the Soviets have assembled a powerful military force to use as a springboard for a growing diplomatic and economic offensive. It is a familiar strategy that entails economic dependence, political penetration, intimidation, political compromises, and adventurism.

Our security interests are best served by maintaining sustainable and superior conventional forces, forward deployed in a high state of readiness. We must continue planned force structure improvements, increase sustainability, take care of our people, and improve our capabilities in certain warfighting categories. If force readiness is maintained, sustainability continues to improve, and programmed force structure improvements are realized, we will continue to succeed in our primary mission of deterring war in the Pacific—and in the unlikely event of failure, we are prepared to fight and win.

With the support of the Congress and this committee, I am confident that we can protect our Nation's interest in the Pacific.

Thank you, Mr. Chairman, for the opportunity to appear before you.

Senator DIXON. Thank you, Admiral.

I want to thank you both for fine statements and I would say to you that your statements will of course be reproduced in the record in full.

INTEGRATED PRIORITY LISTS

Several of the things I will ask you about early on you might judge to be classified. If they are, we will return to them later. The first thing I would like to ask you is are you able to supply for us the integrated priority lists that the CINCs submitted as part of the development of their annual Defense budget and the amount of the integrated priority list that you actually received in the budget that came to us in the Congress? Are you able to do that? If so, do you consider it classified, and would you like to return to it later?

First of all, are you able to do it?

General DARLING. Sir, I would say that the integrated priority list addresses shortfalls but not in numbers and dollars specifically. I do not think it is put together that way. It addresses deficiencies in warfighting capabilities in broad terms. Requirements are not quantified in either dollars or number of systems or units. I do not believe we could match the IPL with the budget. I believe we could tell you those items that are priorities, our CINC would increase money for if more money was made available. We do have that.

Senator DIXON. That is what I am asking. And what was allowed of that integrated priority list by the budget that was sent to the Congress by the President?

General DARLING. Sir, it would be a mixed bag. Some things were funded; some were partially funded; others were deferred and delayed.

Senator DIXON. I am aware of that. What we would like to see is your list of what you asked for, and then what you got.

General DARLING. Sir, I would hesitate to discuss that in open session.

Senator DIXON. OK. The same with you, Admiral?

Admiral WEBSTER. I agree, Mr. Chairman.

Senator DIXON. But are they available today that we could have them in the closed session later? Or do you need to supply them later? For instance, yesterday I believe one of the witnesses had it, and the other two did not. I am not critical of you if you do not have it. If you have it, we would just as soon have it now in the closed session. If you do not, if you can supply it at the earliest opportunity to the subcommittee.

Do you understand what we are asking for?

General DARLING. Yes, sir, I think I do.

Admiral WEBSTER. Yes, sir.

Senator DIXON. In each case, what you asked for and what you got on your integrated priority list.

General DARLING. I believe I do have that with me today. It may not be in a form that I can release to you, but I do have it.

Admiral WEBSTER. There are areas of concern listed in our integrated priority list. As I mentioned earlier, readiness and sustainability is our top priority. Others include antisubmarine warfare, air defense, aerial refueling, airlift, sealift, and long-range attack.

I can provide more detail in closed session.

Senator DIXON. The best you can do. For instance, Senator McCain said yesterday he would like to have the numbers. Now in those categories where it is something that is doable where you can show that, we would like to have it. But I would understand your

difficulty. If you will just do the best you can, we will return to that later.

One of the things I wanted to ask you, you both talked a lot about quality people. We are of course very conscious of what has happened in the volunteer services and the high quality of people we have been able to attract. Is it fair to state that in general there is some decline now in that regard in the last couple of years?

You probably gave me some percentages in here, and I read them, and I listened to you, but I do not recall that.

General DARLING. Sir, if I may respond initially, I would agree that there has been some small decline in recent years. I think 1983 was probably the highwater mark for recruiting and retention, but overall, it is still good.

Senator DIXON. Is that true for the Navy, too, Admiral?

Admiral WEBSTER. Yes, sir.

Senator DIXON. I think the Army has the biggest problem. Is that not true, in the decline lately?

Admiral WEBSTER. I will have to provide that for the record.

[The information referred to follows:]

ARMY RETENTION INFORMATION

That is true in terms of the actual number of Service members eligible for reenlistment. The differences in retention between the first quarter of fiscal 1986 and fiscal 1987 are fairly small, with the Marine Corps dropping by six percent, the Army by five percent, and the Navy by two percent. The Air Force increased by eight percent, balancing out the overall DOD reenlistment rate to a drop of only one percent. The initial enlistment rates for all of the services remain excellent.

Admiral WEBSTER. Overall, Mr. Chairman, there has been a decline in recent years, but it is very small. I do think it is too early to tell whether the trend is going to continue.

Senator DIXON. Well, let me just ask you both this in a kind of a generic sense. You do not see any argument here yet for a draft or anything of that consequence in what you are seeing in respect to the kinds of numbers you are getting through a volunteer force?

VOLUNTEER FORCE

Admiral WEBSTER. No, sir. I think we should continue with the volunteer force until we have firm indication a draft is required. From my personal observation, the quality of people we have in the volunteer force is excellent and that is the way we should continue.

Senator DIXON. That was going to be my next question. Is it the sense of both of you that actually we are receiving into the services a higher quality of personnel with this kind of a program than we would through a draft?

Admiral WEBSTER. Yes, sir. From my observation in my recent at-sea tour, I was particularly impressed with the quality of the people. As a matter of fact, most of them are high school graduates.

DRAFT NOT NEEDED

General DARLING. Sir, I would agree on the lack of need for a draft right now. I see no signs in the immediate future that there is any need for that. I think, as I have mentioned, recruiting and retention of both enlisted and officers has been good. There has

been some decline in some areas, such as pilot retention; and, our tactical forces are not quite meeting our goal of 60 percent retention of pilots.

The airlines have been expanding and hirings are a matter of concern. But so far as quality of people, I see no real problem with that at all. It is very good, and I cannot say that a draft would beat that. In fact, I would look at the number of high school graduates in the services, which is one of our very best indicators of how a young man or woman will perform. Overall in DOD we are getting 92 percent high school graduates.

The Air Force and the Marine Corps approach 100 percent high school graduates. The number in the highest mental categories continues to increase and the numbers in mental category 4 are very small. So I would say we are doing very well from a quality and retention standpoint.

Senator DIXON. Thank you, gentlemen.

Senator LEVIN.

Senator LEVIN. Thank you, Mr. Chairman.

SKILL CATEGORY

On your last comment, General, in the so-called "mental category," I thought we changed that description to "skill category"?

General DARLING. If that has been done, I am not aware of it, sir. The information I have still classifies them in mental groups. But you may be absolutely correct.

Senator LEVIN. Would you check this out, because this has been a sensitive point. To categorize somebody who is in a skill category, or whatever the acronym is, as being in the lowest mental category is demeaning. It is not fair. It is not accurate. I do not know the exact technical title, but I think they decided to call them "skill categories," because "mental" gives a certain impression.

It is a very minor point. It has nothing to do with your appearance here today, but if you could just kind of check back, and if in fact they should be described differently I wish somebody would get out some guidance to folks to quit using that title, because it is really not the way we ought to be describing members of the Armed Forces, to say that 5 percent are in the lowest mental category and things like that.

General DARLING. Sir, if I could amplify just a bit, I believe there are more than four mental categories.

Senator LEVIN. There are.

General DARLING. I am talking about the lowest mental category of skill that we accept.

Senator LEVIN. I know. I am talking about the lowest one that we accept. To designate people as being in the lowest mental category that we accept is demeaning and not accurate.

But take it back, will you? And if I am wrong, I am wrong. And we will check it out at this end. I remember that a few days ago we went through this whole great Cat-4 debate.

All right. Now let us get to the relevant issues. Yesterday we had some charts up on depot maintenance, which we would like to put up for you to ask both of you how this affects your readiness.

EQUIPMENT READINESS

Before we ask you specifically about these charts, can you give us the overview on what your equipment readiness is?

Admiral WEBSTER. Senator, we were going to provide some charts on that in the closed session. But overall, the equipment readiness is very good in the Pacific Command and has improved considerably within the parameters of what we consider adequate.

General DARLING. Sir, I agree that I can provide some more specific information in closed session, but I would agree with the comment that it has improved, overall, quite good.

Senator LEVIN. Now the chart that we have up here, which is an Army chart, shows that we are going to have a reduction in depot maintenance and a bigger backlog. If you can see those figures there, the backlog there goes up from 1987, it looks like 141 million; 1988, 391 million; and 484 million in 1989. So we are going to have a bigger backlog in depot maintenance.

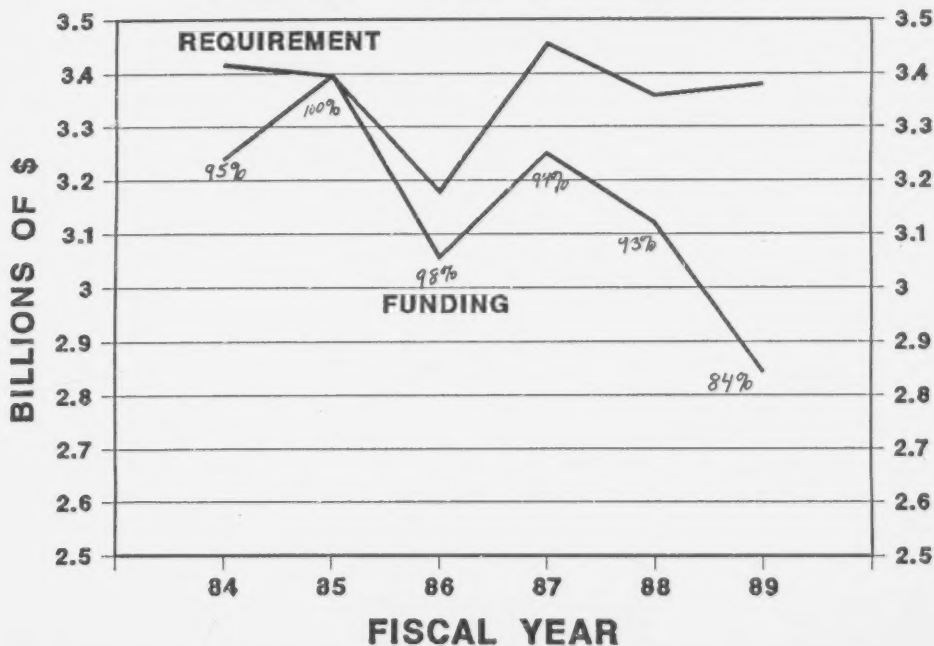
What is the affect on your equipment readiness of that growing backlog? Can you tell us?

General DARLING. Sir, I have not seen this chart. I am not that familiar with depot statistics regarding the Army. Our proportion of forces from the Army is fairly low.

Senator DIXON. We have an Air Force chart.

Senator LEVIN. We will show you an Air Force chart.

DEPOT MAINTENANCE



This shows a decline from 93 percent I believe, to 84 percent of the requirement being met in the years 1987 to 1989. Could you tell us what effect that reduction in depot maintenance is going to have on your materiel readiness?

General DARLING. I would say it would have to have some negative impact. I could not quantify that in specific terms.

Senator LEVIN. Is it something that worries you when you see that chart?

General DARLING. Well, yes, sir.

Senator LEVIN. How about you, Admiral?

Admiral WEBSTER. Yes, sir. Senator. As a matter of fact, if you allow this to snowball, it will create readiness problems in the out-years.

Senator LEVIN. How about this year? Take a look just at the Army again. This year, it is going from 92 percent to 79 percent. That is from 1987 to 1988. So it is not even outyears. It is this year's pending budget. It is a reduction from last year.

I do not want to challenge you, because the general way you were commenting on is one I happen to agree with, but again this is not an outyear problem. This is on us, right now, because we have to decide whether or not we want to allow the increase in that backlog to go from 141 million to 391 million. So if you could please comment on that. Do you think that makes sense a budget priority for 1988 to see that increase in depot maintenance?

Admiral WEBSTER. Senator, you cannot look at this in isolation. This is one of many requirements in the budget that must be balanced. Depot maintenance is of course a very, very important part of that budget, but we have to look at all the other categories, too. When you look at it across the board, I think the way we are approaching it is a balanced approach.

Senator LEVIN. Could I just take 1 minute? My time has expired.

Senator DIXON. Please.

Senator LEVIN. I would like to follow that up for 1 minute.

Was our budget in balance last year in terms of balancing between modernization and readiness and sustainability and manpower?

[Pause.]

That is a trick question, because if you say it was——

Admiral WEBSTER. Well, Senator——

Senator DIXON. That is an off-the-wall question. [Laughter.]

Senator LEVIN. Because if you say it was, then I am going to ask you how can this year's proposal be in balance.

Admiral WEBSTER. Sir, that is why I am looking at this chart very carefully.

Senator LEVIN. I saw you thinking ahead there.

Admiral WEBSTER. It is one of those situations where we would like to have had last year's more in balance.

Senator LEVIN. More balance? Well, I am basically wondering whether or not this direction is of concern to you fellows, because it certainly is to this committee. Maybe we should not be concerned about it. Only 78 percent of our depot maintenance is going to be conducted.

To put it another way, it worries us that 78 percent of our depot maintenance needs are going to be funded next year instead of 92 percent.

Admiral WEBSTER. If I may comment, Senator, this last summer we had a panel which looked at these particular situations, and the summary of the findings was that the Air Force and the Army

backlogs were not significant. The Navy POM was most tenuous, but appears manageable. The Navy position was that the POM provides the optimal balance between readiness and affordability.

Senator LEVIN. What were they referring to when they said the backlog was manageable? Were they talking about a 1987 backlog figure of 141 million? Or were they talking about a proposed 1988 backlog of 391? Do you know?

Admiral WEBSTER. Senator, I will have to provide that information for the record.

[The information referred to follows:]

FISCAL YEAR 1987-88 BACKLOG FIGURE CLARIFICATION

The USCINCPAC Depot Maintenance and Reworks Review Panel was formed in 1986 to investigate how well or how poorly the Service POMs supported the USPA-COM and how they would impact on the CINC's ability to carry out his assigned mission. Based upon the POMs, programmed funds, the CINC was briefed that the Depot Maintenance backlog appeared manageable and it was recommended that he support all service POMs. The current budget has resulted in some reduction in total obligation authority. The proposal appears to be in balance with other cuts that were incorporated into the President's budget. The maintenance backlog projection was relooked subsequent to my testimony and the impact upon readiness in the USPACOM appears manageable. Force structure changes, modernization of equipment, and improved support systems should result in the lowering of our projected overall requirement.

The Air Force has reacted to the proposed budget and has added considerable funds for their Depot Maintenance and Spares programs. As a result, 95 percent of the depot maintenance requirement is funded in fiscal year 1988 and 87 percent in fiscal year 1989.

The Fleet Marine Force projects no backlog through fiscal year 1989 based upon known requirements.

The ship overhaul backlog of the Pacific Fleet remains at one ship through fiscal year 1989 while extending the normal availability cycle by less than three months. Naval Aviation executable backlog is projected to go to zero in fiscal years 1988-89.

The Army in the Pacific has been fielding modern vehicles that should greatly reduce any local impact on readiness in the near term. Vehicles are scheduled for regular overhaul by the Army's Materiel Command based upon wear and age. Impact on the Army will be in conducting routine overhauls and the upgrading of equipment with modification kits.

Our services are laying the groundwork for performing maintenance and reworks in a more efficient manner. Initiatives such as extending ship availability periods are based upon comprehensive studies which will save considerable funds as they come into being and streamline the maintenance process. Improved competition for maintenance contracts should also further reduce our costs. We are working hard to decrease the impact of reduced maintenance funding and we do not see an unmanageable situation on the horizon. We will continue to manage the maintenance backlogs closely to ensure minimal impact on readiness.

Senator LEVIN. I think that is important. What he is reading from there is actually an internal document saying that the backlog in depot maintenance back last summer was viewed by the Army and the Air Force to be manageable. Now that is kind of a critical judgment internally there, and the question I asked that he is going to answer for the record—he does not have it at the moment—is whether they were looking at the 1987 backlog when they reached that conclusion; or whether they were talking about a projected backlog of twice as much.

We really ought to try to find where it is inside the services that we get this kind of a priority.

Mr. Chairman, he will provide that for the record.

Senator DIXON. Perhaps you could try. Would it shock you both to hear that we believe that those numbers are more of an adverse impact on depot maintenance than the numbers were in 1980?

General DARLING. Well, it would surprise me; yes, sir.

Senator DIXON. General Darling, you say in your statement that budget cuts in fiscal years 1986 and 1987, plus reductions in Air Force war reserve spares, will reduce sortie generation by 19 percent in fiscal year 1991. That is testimony we already had yesterday. And that, coupled with these numbers that we are showing you on the board, caused Senator Levin, myself, and a good many others on the committee to be genuinely concerned whether we are achieving a correct balance, and whether there is a recognition in the services of a problem.

I believe, Admiral, you used the term a minute ago, "snowballing." That was a terminology we heard here yesterday from the witnesses. You know, something that will continue to grow and get out of control in a few years. We are very concerned about these charts we are seeing, and I would encourage you both to bring us a response, if you could, from your colleagues once they are made aware of this.

Part of this is going to be classified, later, but when we put all these charts together I think you are going to be concerned about what you are seeing.

Admiral, the Navy has embarked on a pretty ambitious strategic homeporting plan: \$860 million has been allocated for this purpose, plus an additional \$190 million in local community contributions, and the President's budget requests about \$270 million to support Atlantic and gulf ports during 1988 and 1989, and \$209 million for Pacific ports during that period.

I would be interested in knowing how your commands, in fact both of your commands, view the priority of this investment. If I recall correctly, when Admiral Baggett appeared before the committee recently, he intimated that if forced into a choice he would prefer support for the attack submarine and antimine programs at the expense of the strategic homeporting plan.

I do not want to put you on the spot. I appreciate again the responses that we hear about the balancing of priorities, but what is your view of that?

STRATEGIC HOMEPORTING

Admiral WEBSTER. Let me first comment on the strategic homeporting for Everett, WA, which is the main one on the west coast. This of course will disperse the congestion we have in San Diego, and also make better utilization of a nearby Puget Sound Naval Shipyard.

There is an infrastructure established there, and by providing this carrier battle group in the Everett, WA, area, it will allow us to be more responsive to areas of concern to the Northwest. I personally am deeply in favor of this strategic homeporting philosophy.

Senator DIXON. General.

General DARLING. Sir, I would defer to what Admiral Baggett said about submarines and mine countermeasures versus home-

porting. I would offer my own comments from what I have observed and concluded from studying the issue and hearing it discussed.

I think there are some very positive points about homeporting. I look at Norfolk at times and see ships stacked two deep. It is a large concentration of ships. I do not think that makes good sense from a strategic standpoint.

I think as the Navy grows, as the number of ships increases, more facilities, more support has to be built at those bases where we have ships now. Norfolk is going to require more support facilities to support more ships as we build toward the 600-ship Navy.

It causes crowding, transportation problems, school problems. From a quality of life standpoint, it might be better to have these additional homeports but that is not the main point.

Senator DIXON. My question was, though, in the order of priorities in those things I have indicated and some of these things you see on the chart, how does homeporting appeal to you against those problems—the spare parts shortages, the depot maintenance problems that are snowballing, and the variety of other things that we talked about here, the statement of Admiral Baggett that he would rather have attack submarines and antimine programs? How does this fit into all that on a priority basis?

General DARLING. Well, it is difficult to say unless you know exactly what we are trying to trade off. I would be reluctant to say.

Senator DIXON. Well, in all fairness to us, you understand there will be tradeoffs in this budget. It already came to us that way, and then we are going to get targets from our boss, the chairman of this committee, if every one of our subcommittees—my distinguished colleague from Michigan is one, and I am chairman of one—to cut further, we are going to have to make selections.

In fact, we would like to add in some of these places we are talking about. That is the problem we have here. I am not trying to be argumentative with you. I am trying to show you our problem.

CONSTRUCTION COSTS

Let me just go on to another example, Admiral. The 1988 budget requests \$68 million in construction for our facilities in Japan, and \$67 million in 1989. There is a growing concern in this country regarding equitable burdensharing by the Government of Japan and our defense presence in that nation. We all realize they are a little over 1 percent now. Big deal. I also realize the fact that we told them in the first place they ought not to get over 1 percent. So I admit that, as well.

But what about the future course here?

Admiral WEBSTER. Well, Mr. Chairman, 1 percent is a self-imposed limit that they appear to be reconsidering.

Senator DIXON. We are glad about that.

Admiral WEBSTER. We are glad, yes.

But as far as the construction in Japan is concerned, we have a program where the GOJ is paying for facilities improvements. This includes housing in the Sasebo area, and just north of Yokosuka. This is an initiative to help our U.S. forces in Japan.

They provided over \$300 million in fiscal 1986.

Senator DIXON. If I could interrupt. I do not mean to be impolite. Please forgive me, Admiral, and I am not hasseling you, and I hope you do not take it that way, but I have got to yield because I am out of time, but obviously we are going to spend \$68 million there this year.

I mean, this is a country that has a very positive balance of trade with us. We have a lot of people over there who have spent a lot of money over there, and a lot of other things that are good things for them, and we are also defending their part of the world, and I wonder why they could not spend the \$68 million instead of us? I am not trying to be argumentative, but could you get me some kind of a response that we talk about in this subcommittee about why we should be spending \$68 million there?

Admiral WEBSTER. Yes, sir. The reason we are spending \$68 million is because they are restricted from spending in military build-up and can only expend to maintain existing facilities.

Senator DIXON. So the \$68 million is for our hardware?

Admiral WEBSTER. They assist where they can, and as a matter of fact in fiscal 1985 they spent \$300 million.

Senator DIXON. Excuse me just a minute.

Senator Bingaman.

Senator LEVIN. Would you yield for just one follow-up to that question?

Senator BINGAMAN. Certainly.

Senator LEVIN. Do you know what the Japanese contribution is to that program?

Senator DIXON. I thought he said \$300-million-something.

Senator LEVIN. No, no, to match that.

Senator DIXON. Oh.

Senator LEVIN. See, the chairman asked you a question. You said, well, our hardware is \$68 million, or whatever that figure was. They are contributing what they can to the same program. Do you know what the dollar amount of their contribution is that matches that \$68 million in hardware?

Admiral WEBSTER. I will provide that for the record.

Senator DIXON. Yes, could we have that provided by your staff? We do not have that.

Senator LEVIN. Do you have any idea whether it is \$20 million, \$50 million, \$100 million, or \$200 million?

Admiral WEBSTER. Well, as I stated——

Senator LEVIN. That matches that \$68 million. Their share of that effort.

Admiral WEBSTER. I will provide that for the record.

[The information referred to follows:]

JAPANESE DOLLAR CONTRIBUTION TO HARDWARE SPENDING

The Facilities Improvement Program [FIP] is a Government of Japan [GOJ] funded program to provide facilities for use by the U.S. Forces in Japan. The GOJ considers their program as a unilateral offer which requires no matching U.S. funds. The program was initiated as a quality-of-life program but we have gradually included operational projects as the Japanese acceptance of their defense responsibility increased. Since 1979, the program has shown annual growth from \$104 million to the current funding level of \$321 million in JFY-86. This year's program was allocated as follows:

	<i>Percent</i>
Military family housing.....	42
Bachelor housing.....	12
Community support.....	18
Operational defense.....	22
Environmental related.....	6

Total..... 100

Senator DIXON. Just as a matter of curiosity before—I recognize Senator Bingaman, what was the \$300 million then? I did not quite get that.

Admiral WEBSTER. That was for the facilities improvement program.

Senator DIXON. That they are spending?

Admiral WEBSTER. Yes, sir.

Senator DIXON. That is overall?

Admiral WEBSTER. Yes.

Senator DIXON. OK, Thank you.

Senator Bingaman.

Senator BINGAMAN. I am sure you went over this, and I apologize for being late, but we were concerned last year in the budget that was finally passed by Congress that in the area of ammunition and some of the other areas we were substantially shorting what we ought to be providing. It is your view that the problems in that area would be resolved if we would go ahead with the administration's budget as submitted to us?

Admiral WEBSTER. Senator, it will be an improvement, and it will continue the trend that we have already established over the past several years to improve those shortfalls. But we will still have shortfalls even with the increases we will gain from this 1988-89 budget.

Senator BINGAMAN. Did the trend toward improvements continue that we adopted last year? Did we do better last year than we had in the previous year?

Admiral WEBSTER. Yes, sir; we have. In the Pacific Command, we have increased our numbers in air-to-air missiles about three times over a period of 6 years. It is part of a positive trend, and is particularly true with the smart munitions, or the threat-oriented munitions.

Senator BINGAMAN. That is all I really have, Mr. Chairman.

Senator DIXON. Senator Levin.

SMART MUNITIONS

Senator LEVIN. Could I follow up, again, on that question? On the smart munitions issue, Admiral, your testimony indicates that there is a serious shortfall in some areas of smart munitions. Are there any smart munitions areas where we are falling behind last year, where we are actually slipping? Are we at least staying the same, or moving forward in all areas?

Admiral WEBSTER. I am trying to recollect, Senator, if there is one area where we are falling behind. I am quite confident that we are making increases in all those munitions, but we will not meet our objective.

Senator LEVIN. Do you know, offhand, the area where we are actually going to be worse off in 1988 under this budget request than we were in 1987? Do you know, offhand, that area?

Admiral WEBSTER. Where we are worse off? I cannot say that we are worse off in anything. I think we are either moving ahead or at least staying abreast of those requirements.

Senator LEVIN. Thank you.

SUSTAINABILITY/CAPABILITY

Then, General, your testimony is that the 1988-89 request continues the incremental growth necessary to improve some logistics sustainability/capability. What sustainability improvement does that request not contain that you feel are essential to carrying out wartime missions?

General DARLING. War readiness spares kits and base level self-sufficiency spares.

Senator LEVIN. Pardon?

General DARLING. We have made improvements in war readiness spares kits and base level self-sufficiency spares in past years, but we still have a considerable way to go. The negative growth of the past two budgets have slowed down the progress that we were making.

Threat munitions, as the Admiral indicates, is another area where we have slowed sustainability improvements.

Senator LEVIN. Thank you, Mr. Chairman.

Senator DIXON. Thank you, Senator.

MILITARY CONSTRUCTION

Returning to this subject of military construction in other parts of the world, Admiral, I think we are all impressed with the economic strides made by Korea in the last decade. They now enjoy a trade surplus with us. Despite this progress, we are still making very substantial facility investments there. In fiscal year 1988, DOD has requested \$150 million and \$215 million in 1989 for military construction in Korea.

Now I am advised, further, by staff that there is an interesting dichotomy here. The Japanese want us to build the combat stuff; they will build the noncombat stuff. The Koreans, just to make it confusing, say they will build the combat stuff; we build the non-combat stuff—which is kind of an interesting thing.

But again I would ask, on both these cases there are two countries with favorable trade balances, obviously benefiting immensely by our presence both from a military security aspect economically and other things. Do we make enough effort to try to persuade them to be more supportive on things like this? Obviously these sums, while not catastrophically important in this budget, are sufficiently large that they could be meaningfully employed in other ways.

Admiral WEBSTER. In the area of obtaining more support from the Korean military, or the Korean Government, we are doing a considerable amount as far as trying to arrange an umbrella agreement for how they can help us in the areas of host nation support.

But as you indicated, there position is more in favor of the combatant and defense areas. Therefore when we consider providing barracks and quality of life improvements for our personnel, we have to provide those military construction funds.

Senator DIXON. Is this stuff largely barracks and quality of life stuff here? It would be, in Korea, I would expect the other way around.

Admiral WEBSTER. Exactly. It is the other way around in Japan.

Senator DIXON. They help us on the quality of life?

Admiral WEBSTER. Sir?

Senator DIXON. They help us on the quality of life in Japan.

Admiral WEBSTER. That is correct. I will provide the exact nature of that military construction for the record.

[The information referred to follows:]

SUPPORT OF POL/MILCON BY JAPAN

In Japan we seek MILCON funding for additions and alterations to existing facilities. By GOJ law, all facilities which are renovated with Government of Japan (GOJ) funds must be brought up to current fire and seismic code standards before alterations can begin. Using MILCON funds, we are permitted to do only the alterations work required and save the FIP resources for other important projects and thereby get more facilities for the funds available. In 1988 we are asking for \$34.02 million for alterations, additions, and upgrade of existing facilities.

The GOJ will not build new facilities that increase or improve our offensive war-fighting capability. Two types of projects they will not accept are POL storage facilities and ammunition projects of any type. Our fiscal year 1988 program requests \$5.5 million for new POL and \$23.25 million for ammunition storage, surveillance, and control projects in Japan.

We've requested \$4.7 million in adjunctive funding to add equipment and capability at the Misawa hospital which the GOJ will not fund, because they interpret this added capability as chemical and nuclear warfare related. The funds will be used for equipment and modifications to provide a "clean room" and decontamination capability in the Misawa hospital now programmed in the GOJ FIP.

Senator DIXON. Who, incidentally—forgive my ignorance in making this inquiry—who negotiates these kinds of things between our country and their country in coming up with these kinds of figures that ultimately end up in these budgets as things we are supposed to act upon? I mean, how do we ever get this kind of a number this year: we do this much/they do the balance. Or something of that kind?

Who does the talking? Does State do it? Do the services do it? Do the CINCs do it?

Admiral WEBSTER. I think the answer to that is, yes, there is a lot of cooperation among the services and the CINCs, but ultimately the person who really does this and gets into the actual accumulation of the number of dollars that are requested for those particular construction projects is the Office of the Secretary of Defense.

Senator DIXON. The Secretary of Defense ultimately is the final person to make the decision?

Admiral WEBSTER. Yes, sir.

CROSS-DECKING SPARES

Senator DIXON. I would like to ask you both this question. Several years ago the press had a lot of stories about the Navy being so short of spare parts and munitions that they were forced to cross-deck these items. Ships coming into port would transfer spare parts

and munitions to ships leaving port because the Navy did not have enough ammunitions and spare parts to fully stock all of its fleet.

I will ask you. Is any of this cross-decking of munitions or spare parts, or both, going on now?

General DARLING. Sir, I will respond from information that I am aware of. Yes, there is some cross-decking still going on, but I think it has been significantly reduced. There is a very minimal amount of cross-decking. I was furnished some information on the *Kennedy*, which just returned, and the amount of cross-decking that went on there was relatively insignificant compared to what went on just a few years ago.

I think that is an indication of improved readiness and sustainability that has been provided over these recent years.

Admiral WEBSTER. Mr. Chairman, I certainly agree with the General, having been in the Indian Ocean in 1979, the amount of cross-decking we did then was considerable. Now, having just returned from a tour out in the western Pacific, it has diminished considerably. There has been a vast improvement in this particular arena, and a lot of it is because we have made some significant gains in the amount of threat ammunition available.

We still have this problem, but not to the degree which we had in the early 1980s.

Senator DIXON. I think I understand both of you are saying it has been substantially improved. There is still some problem, and I think this subcommittee would like to know, to the extent that cross-decking is still taking place currently, how much of it is taking place, and specifically what ammo and spare parts are involved in cross-decking even currently, contemporaneously at this time.

I do not mean to the precise numbers. Do you understand? Just kind of a generic idea of what is taking place out there is cross-decking in parts and ammo.

Admiral WEBSTER. Yes, sir. And if I can expand on that, we will do this in the spare parts arena in those areas where we have very limited spare parts for very sophisticated equipment. As far as the cross-decking of specific ammunition, I will provide that for the record.

[The information referred to follows:]

CROSS-DECKING OF SPECIFIC AMMUNITION

During the rotation of carrier battle groups, cross-decking of some threat-oriented ammunition is still required at a much reduced rate to completely load-out ships' requirements. The scope of cross-decking required includes the following items and the percent of allowances needed to be transferred.

[Deleted.]

Senator DIXON. I get the sense that neither of you is particularly concerned and do not either one of you consider it a substantial problem now like it has been at some times in the past. Is that accurate?

Admiral WEBSTER. As far as I am concerned, Mr. Chairman, I was extremely concerned in the early 1980s. Now, this problem has diminished. There are still isolated cases, which I will provide for the record.

[The information follows:]

ISOLATED CASES OF CROSS-DECKING CONCERNS

The only isolated cases which require major cross-decking are for specific items [deleted].

Senator DIXON. Are you gentlemen both able to give us percentages of C-1, C-2, C-3, C-4—I am not concerned about C-5—and can we do that open?

Admiral WEBSTER. I would rather do it in closed session, Mr. Chairman.

Senator DIXON. We will do that in closed session.

Can you give me in open session the percentage of your war reserve stock requirements? Each of your components has a day in the following category: supplies and equipment: POL, petroleum, oil, and lubricants; level of effort munitions; and threat-oriented smart munitions.

Admiral WEBSTER. That is part of my presentation for the next session.

Senator DIXON. OK. The same for you, General?

General DARLING. Sir, I have some information, but I believe it should be in closed session.

Senator DIXON. Very good.

General Darling, in your statement you say that you have only a fraction of the required hospital beds available in the Atlantic Command that you need by the end of fiscal year 1988. What percentage of your projected wartime casualties could you treat in theater with your current medical capability?

General DARLING. Well, sir, I have some numbers that are confidential, but I could say in open session that I think it is less than 50 percent.

Senator DIXON. Why do you not take your time and clean your side of the room, and we will do the same. We will go into closed session and get these numbers.

[Whereupon, at 2:15 p.m., the hearing was recessed, to reconvene in closed executive session.]

EXECUTIVE SESSION

The subcommittee met in executive session, pursuant to recess, at 2:16 p.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senator Dixon.

Staff present: Robert E. Bayer, George K. Johnson, Jr., Ronald P. Kelly, David S. Lyles, and Patricia L. Watson, professional staff membes; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon.

Senator DIXON. I wonder, gentlemen, if we could go first with the numbers on C-1, C-2, C-3, C-4. Well, give us all those C ratings if you can.

You have a chart? Good.

CATEGORY LEVEL OF RESOURCE INDICATORS

	C1-2	C3	C4	C5
<u>SHIPS</u>				
'81		[DELETED]		
'86				
NET INCREASE OF C1-3: [DELETED]				
<u>NAVY SQUADRONS</u>				
'81		[DELETED]		
'86				
NET INCREASE OF C1-3: [DELETED]				
<u>AIR FORCE SQUADRONS</u>				
'81		[DELETED]		
'86				
NET INCREASE OF C1-3: [DELETED]				
<u>AIR FORCE SUPPORT UNITS</u>				
'81		[DELETED]		
'86				
NET INCREASE OF C1-3: [DELETED]				

Admiral WEBSTER. I will proceed, Mr. Chairman. These are the C levels. This first chart is broken down into ships, Navy squadrons, and Air Force squadrons. Then it shows Air Force support units, which are basically engineering and maintenance squadrons.

This is the first of two slides on C levels. You will notice across the board so far as ships are concerned, from 1981 to 1986, we had a significant increase in C-1 and C-2 and a decrease in the C-4 category. The C-5 categories are for those ships which are in restricted availabilities or overhaul. We should try to keep it a constant number to ensure our ship repair facilities are steadily employed.

As far as the Navy squadrons are concerned, again the important area there is the increase in C-1 and C-2 in 1986 from 1981 and a decrease in the Charlie 4 and the Charlie 5 categories.

You need to recognize why we have Navy squadrons in that particular category. It is sometimes because we are standing down those squadrons to transition from one type of mission to another or we are activating a particular squadron, like a LAMPS-3 squadron.

And the same is true when you get down to the Air Force squadrons. Those in the Charlie 5 category have decreased considerably. The F-16 and F-15 squadrons were only in that particular category until they became operational.

Air Force support squadrons increased [deleted]. These are, as I said basically the maintenance and the engineering support squadrons that the Air Force has in the Pacific.

Senator DIXON. I would say, Admiral, all of that looks pretty good, with the exception of the Navy squadrons. Are you concerned about that number? [Deleted.]

Admiral WEBSTER. Well, I see what you mean, [deleted].

Senator DIXON. Well, [deleted].

Admiral WEBSTER. But I think one of the things we need to recognize, Mr. Chairman, is that this is a management tool. And yes, to answer you, it is a concern. It is also an area where we have had the greatest increase.

But taking these C levels in isolation is not the entire picture, and we have to think about how those squadrons operate with other squadrons. And when you look at it that way, the interoperability between other Navy squadrons, it is a force multiplier.

Senator DIXON. How could we get that whole picture? Is there a way we can look at that in another way? Because for instance, those [deleted] squadrons, the Air Force squadrons and support units, are very reassuring. Some of those other numbers I would say would cause concern.

Admiral WEBSTER. But the answer to your question, how do we get the numbers or how do you categorize the interoperability and the effectiveness among battle groups, is something we have been wrestling with for some time. And quite frankly, we have not come up with a solution yet.

Senator. DIXON. I would say certainly it is encouraging to see the improvements in all categories over 1981. That is the point you made. That I think is valid.

I would say that one category causes us some concern. Well, thank you very much.

CATEGORY LEVEL OF RESOURCE INDICATORS

	C1-2	C3	C4	C5
ARMY COMBAT UNITS	[DELETED]	[DELETED]	[]	[DELETED]
'81	[DELETED]	[DELETED]	[]	[DELETED]
'86	[DELETED]	[DELETED]	[]	[DELETED]

NET INCREASE OF C1-3: []

ARMY COMBAT SUPPORT/COMBAT SERVICE SUPPORT UNITS

'83	[DELETED]	[DELETED]	[DELETED]	[]
'86	[DELETED]	[DELETED]	[DELETED]	[]

NET CHANGE CS C1-3: [DELETED]

NET CHANGE CSS C1-3: [DELETED]

MARINE COMBAT UNITS

'81	[DELETED]	[]	[DELETED]	[]
'86	[DELETED]	[]	[DELETED]	[]

NET INCREASE OF C1-3: []

MARINE COMBAT SUPPORT/COMBAT SERVICE SUPPORT

'81	[DELETED]	[]	[DELETED]	[]
'86	[DELETED]	[]	[DELETED]	[]

NET CHANGE CS C1-3: [DELETED]

NET CHANGE CSS C1-3: [DELETED]

Admiral WEBSTER. I have two more slides, Mr. Chairman. They show the Army combat units increase in readiness and the decrease in those units which are not combat-ready. And, of course, the combat support and combat service support units are highlighted on our integrated priority list as an area of concern.

And even though we have made modest gains, it is still an area of concern. The same thing is true of the Marine combat support and combat service support areas. I might mention the fact that we had a change in combat support in the Marine Corps, and that is why it was minus 11 percent.

Senator DIXON. That number on 1986, your C-3s on up [deleted]. Does that include reserves?

Admiral WEBSTER. No, this does not include reserves, because we are looking at units in the Pacific theater, and the reserves augment from the continental United States. That is my understanding.

Senator DIXON. Well, your own combat support units then this year are C-3 and weaker categories [deleted] without counting reserves.

Admiral WEBSTER. We have a problem in combat service support both in the reserves and in the active duty forces.

Senator DIXON. Would it look worse if you figured the reserves in?

Admiral WEBSTER. I would imagine so, yes, sir.
The next slide.

USPACOM PREPOSITIONED WAR RESERVE STATUS (DAYS OF SUPPLY)

COMPONENT					
TYPE	EUSA	WESTCOM*	PACFLT	FMFPAC	PACAF
SUBSISTENCE					
CLOTHING					
BARRIER					
MUNITIONS			[DELETED]		
END ITEMS					
MEDICAL					
REPAIR PARTS					
PETROLEUM		THEATER			
		[DELETED]			

[DELETED]
** PERCENT OF THREAT

835 S. J42 0312 1

Mr. Chairman, you asked how many days of supply we have in our pre-positioned war reserves.

Senator DIXON. Yes.

Admiral WEBSTER. These are the days of supply in the various categories. And you might note that most of those areas are based on a [deleted] supply criteria. WESTCOM, however, has a [deleted] requirement, as does the Air Force for spare parts. [Deleted.]

Also, we have talked considerably about munitions. The [deleted] Forces are based on their threat-oriented munitions.

We have [deleted] supply for petroleum in the theater. I must comment, however, that even though we have that, those days of supply in theater, some of those supplies or some of those tanks are not in the ideal positions. They are malpositioned, and it is going to require sealift to move that oil from place to place as we proceed.

Senator DIXON. Admiral, does "EUSA" stand for Korea?

Admiral WEBSTER. I am sorry, yes, sir. Eighth U.S. Army. That is in Korea.

Senator DIXON. If I read that chart correctly, in Korea we have enough medical supplies to last [deleted].

Admiral WEBSTER. That is what the chart indicates, yes, sir. And I might comment on that. The reason those medical supplies look low is because they have a shelf life problem. That is, the medical supplies are something that we just cannot keep on the shelf for any length of time, and so we need to rotate those stocks periodically.

That is an area that needs improving. And one other point is, when we say we have [deleted] medical supplies in WESTCOM, very soon we are going to improve that [deleted].

Senator DIXON. Good. That was going to be my next question.

Thank you, Admiral. Could we have copies of those charts for the record?

Admiral WEBSTER. Yes.

General DARLING. Sir, I have a series of charts here that are in a different format, but give essentially the same information. And if this is not sufficient, we would be glad to provide what other information you need. I have two series of charts. One addresses readiness, the second addresses sustainability. Let me explain the chart just a little bit.

[Vugraph deleted.]

Fleet overall category levels. On the left, I have C-1 through C-3. The bars represent the number of units of our total units that are C-1 to C-3, and it represents a combination of surface ships, submarines, and aircraft. This is an aggregate, and I will break this down into ships, submarines, and aircraft on a subsequent slide.

At the bottom we are showing data for first quarter fiscal year 1985, on across to 1987, and then current data, which is February. You will note that the bars are very even across the top: [deleted]. Those are overall category ratings, C-1 through C-3.

Senator DIXON. Do you break down anywhere the C-1s and 2s as distinguished from the 3s on a similar chart?

General DARLING. I have some of it, yes sir.

Senator DIXON. All right.

General DARLING. Let me go on to the next series of charts, and we do show it by C-1, C-2s, and C-3s.

Senator DIXON. Well, C-1s and C-2s I do not care about that much, but I would like to see what the 3s amount to.

[Vugraph deleted.]

General DARLING. This chart shows overall ships, as it says at the top there, with the percentage off to the left. The bottom squiggly line coming across there represents units that are C-1. Everything at that line and below is C-1. I think you can see, it starts over there [deleted].

But in those five quarters of information we are showing, you see the [deleted].

Senator DIXON. Is that the latter part of 1986 and the first part of 1987?

General DARLING. That is the first quarter of 1987, and the current is February 1987.

The second line across there and below is C-2 and better. The C-2s and the C-1s are below that.

The top line is C-3. Everything below that is C-3 or better. And that above the line would be at C-4 or worse.

Senator DIXON. I see.

General DARLING. [Deleted.]

I would mention that we deploy naval forces in a high state of readiness. When they rotate home, there is a period of drawdown, leaves, rework, and all of that. [Deleted.]

Senator DIXON. What is the reason for C-4s? Have you got a pattern on that?

General DARLING. C-4, sir, is primarily a shortage of essential parts and repairs, and some equipment not available. Some of it is type training and workups not completed. For example, when the *Kennedy* comes home, it is going to be down for a while.

Senator DIXON. I see.

General DARLING. As the crew members rotate, others come on. But later on it will begin its workups, and when it deploys——

Senator DIXON. When a ship is in a state of disrepair like that, it would be a C-4?

General DARLING. Yes, sir; or it could be a C-5 if it were an overhaul or some other condition like that.

Admiral WEBSTER. May I amplify? Also, a ship could be C-4 just coming out of a C-5 category, before it finishes its workups.

Senator DIXON. Sure.

Admiral WEBSTER. And this is true also with our aviation squadrons as they are working up.

Senator DIXON. I see.

[Vugraph deleted.]

General DARLING. This is the submarine picture, displayed the same way. You see better readiness indicators. [Deleted.] You see the top line touches the top of the box currently, so all submarine units there are [deleted].

[Vugraph deleted.]

Next is the aircraft picture. The [deleted] units have remained essentially constant during this period. Again, if I could back these charts up to the left, it would not look so good as we move further back in time.

Overall trends again reflect improvements between the categories, C-3 to C-2, C-2 to C-1. The primary reasons for the C-4 degradations are equipment condition and shortage of people.

[Vugraph deleted.]

This is a different depiction for the Air Force component, Air Force Atlantic, overall force levels. Again, I am showing units that would be apportioned in a global conflict.

The chart shows overall C-1s through C-3s for Air Force forces apportioned to USCINCLANT during global conflict. No units are reporting C-4 category levels. Category level 1 units have raised [deleted].

So except for the [deleted] everything is [deleted] better.

ARMY ATLANTIC OVERALL CATEGORY LEVELS

• COMBAT UNITS:

- ACTIVE ARMY
- RESERVE COMPONENTS

• COMBAT SUPPORT UNITS:

[DELETED]

- ACTIVE ARMY
- RESERVE COMPONENTS

• COMBAT SERVICE SUPPORT UNITS:

- ACTIVE ARMY
- RESERVE COMPONENTS

The Army Atlantic. We do not have the trend information on the Army that I have shown you on the Air Force and the Navy. It is just not available to us yet. We are working on getting a better system for tracking and projecting into the future.

But his chart shows category levels for Army forces, again apportioned to USCINCLANT. Under combat units, I think this chart shows a very specific trend that we were alluding to earlier. Combat units, active Army, [deleted] all of them. And that is only two in our case. [Deleted.]

The two reserve component combat units [deleted]. Personnel shortages and equipment conditions contribute to those degradations. Two of seven active Army combat support units are short personnel and equipment; [deleted].

Combat service support. [Deleted.] And I think this is a fairly consistent pattern: active units, [deleted] combat support units, active duty better than the reserves; combat service support units, the worst of the three categories; and again, the reserves on the bottom compared to the active.

Senator DIXON. How serious is this? How much does that affect our ability to fight, this kind of situation with respect to the reserve components in particular?

General DARLING. Well, sir, it is a matter of concern. However, we are not talking about many Army units supporting USCINCLANT as in comparison with Europe.

I think there is another point at work here. Our area where these factors would go are probably lower priority [deleted] other places where the conflict would be different. These Army forces would support us in places like Iceland and the Azores.

Senator DIXON. We saw figures for Europe yesterday just as bad. I just wonder what those figures mean in terms of our warfighting capabilities on the support units and service support units.

What is your opinion? Or Admiral, you as well?

Admiral WEBSTER. My opinion is we have to have those combat service support units very soon after the initiation of any combat. And as you have correctly observed, it is not a particular unified commander's problem; it is an overall problem.

And as far as our particular area of the world in the Pacific, it was part of our integrated priority list. And I think that is generally true for all the CINCs.

Senator DIXON. Are those all your charts, General?

General DARLING. No.

Senator DIXON. Because I have one I want you both to look at when you complete yours and see how it affects what we are seeing here.

General DARLING. That completes my readiness charts. I do have some on sustainability.

Senator DIXON. Would you let us see the sustainability features of it as well?

[Vugraph deleted.]

General DARLING. Sir, this chart shows the percentage of Atlantic Command requirements available by product for our three components combined for each year. Fiscal years 1987, 1988, and 1989 are expressed as funded delivery period capabilities. Fiscal year 1981 data on the left is only Navy component data. We do not have Army and Air Force data from 1981, but show the Navy data point on there as a mark because we had that information.

Spares are depicted by the white column. Navy spares were 75 percent in 1981, and with all services combined in 1985 shows growth [deleted].

The level of effort munitions indicates a positive growth again; [deleted].

Senator DIXON. Is that a [deleted] requirement, do you know?

General DARLING. This is a [deleted] requirement.

Senator DIXON. [Deleted.]

General DARLING. This is based on our general war plan [deleted].

I should qualify petroleum, "POL," is based on a [deleted] requirement. [Deleted]. POL percent of requirement [deleted].

In threat munitions, again a very positive growth: [deleted]. But as I have indicated earlier, threat munitions are a problem where we still have a distance to go.

Senator DIXON. Were you saying you had [deleted] your smart ammunition in this year, [deleted]. Are we misreading that, General? Correct me if I am wrong.

General DARLING. Would you point to threat munitions, 1987.

Senator DIXON. In other words, if it is [deleted] it looks like you have got [deleted] your smart ammo requirements, [deleted]. Is that an accurate reading of that?

General DARLING. All of our components are combined in this chart. I will break this down for you by component.

Senator DIXON. You can break it down by components? Somebody is nodding yes back there.

General DARLING. Yes, could we have that, please.

[Vugraph deleted.]

This is the spares requirement versus what we have for each component. Again, no Army or Air Force data in fiscal year 1981. Our Navy component has steady growth: [deleted].

Senator DIXON. The poor old Army does not look like it is doing too good there, General.

General DARLING. No, sir, [deleted].

Senator DIXON. I guess if we stay on the water we will be all right.

General DARLING. We are making progress, but it is small growth there. And again, our Army component is down [deleted]. I think that is a funding constraint problem.

Senator DIXON. Yes, I did not mean to be facetious when I said that. I just think it is kind of a shocking number.

General DARLING. Next, level of effort munitions.

[Vugraph deleted.]

Senator DIXON. If I may go back to that other chart, how do you account for that? I am not trying to put you on the spot. How do you account for that kind of a number for the Army compared to the Navy's situation.

General DARLING. Sir, again the figures represent only those Army forces apportioned to us. I am not sure that is representative of the entire Army. I cannot speak to that.

Senator DIXON. I guess we have got those numbers somewhere.

Is it a possibility that your Army divisions are of a lower priority than the whole systems' needs or something of that character?

General DARLING. Well, I was suggesting that a little earlier when I said in our area of responsibility there is probably not the priority that you would see in Europe.

Senator DIXON. Yes. OK. If you could help us with that later, I would like to understand that better.

General DARLING. We have a lot of reserve forces that come to us, too, and they contribute to that lower rating.

Senator DIXON. Do you have another chart up there?

[Vugraph deleted.]

General DARLING. Level of effort munitions. We have no Army or Air Force data for 1981. The Navy component shows good growth: [deleted].

Air Force level of effort munitions started off low at [deleted].

Our Army component, [deleted] with really no anticipated improvement there, again I think due to funding constraints.

Senator DIXON. Do you have an idea, Admiral, whether your numbers look anything like this under your command?

Admiral WEBSTER. I think one of the problems with the Army numbers is, that they use a different method of reporting. Their numbers do not include repair parts carried by units. Other components do include these type items. But in general, the Army and the Air Force numbers are lower in the Pacific Command for repair parts. I think in the level of effort munitions they are better.

General DARLING. Sir, we have a couple more charts.

[Vugraph deleted.]

POL, as I said, is measured against a [deleted] standard. This includes the POL for our forces in the Atlantic Command, plus those that would be passing through our area of responsibility for other requirements.

As I said, it is based on a [deleted] JCS stockage objective. It includes diesel, JP-5, JP-4, and Navy special fuel. Fiscal year 1981 data was not available. The percent of requirement here that is available goes [deleted] over the years 1985, 1987, 1988 and 1989.

We feel the product support is good and that we have had a good improvement here. We feel pretty comfortable in this area.

Senator DIXON. We are trying to figure out what the oil was last year and this year. I thought it was around 12 last year and about 17.5 or 18 this year. Do you recall?

General DARLING. The days?

Senator DIXON. The cost. It was 12 or 13 last year.

General DARLING. I do not think I have that information with me, Senator.

Senator DIXON. That is all right. We can get that later.

General DARLING. I would like to emphasize that POL is a CINC-managed product. It is not a component-managed product.

[Vugraph deleted.]

Senator DIXON. It just kind of boggles my mind how the Army stays the same all the time. It looks like the Navy is doing well, the Air Force is improving some.

General DARLING. This is one I mentioned earlier today. We still have some distance to make up.

Senator DIXON. We are on a [deleted] requirement here, General?

General DARLING. Yes, sir.

Senator DIXON. The Navy has [deleted]—no, no. I see that is 89—the Navy has [deleted] requirement of the threat munitions?

General DARLING. Yes, sir.

Admiral WEBSTER. Which compares with [deleted] the Pacific Fleet has.

Senator DIXON. Thank you.

Did that complete?

Admiral WEBSTER. Mr. Chairman, you asked about the level of effort munitions in the Pacific, and I indicated that I thought they were greater. As you recall, the chart that I put up on pre-positioned war reserves had for the Eighth U.S. Army, which is in Korea, [deleted]. Those are level of effort munitions. And of course, in WESTCOM it is [deleted].

Admiral WEBSTER. [Deleted] out of a requirement [deleted] in Korea. And I think that is probably because we are very, very attentive to the munitions that we have pre-positioned in Korea because of the unpredictable threat that we have to the north.

Senator DIXON. Yes.

Bob, could you put up that chart.

[Chart deleted.]

Senator DIXON. You saw the depot maintenance on the other charts we had. Taking those into account and looking at this one, I wonder whether this chart, which shows our tactical forces sustainability at its peak this year and declining to a level lower than 1983 by 1991—in other words, it is just a cyclical experience there,

where we came up and we peak this year and we are going to go down again.

Do you see that with all these other charts that we looked at? What does that say?

General DARLING. Sir, I think it reflects reductions and cuts in replenishment spares funding.

Senator DIXON. Pardon me, Admiral.

Admiral WEBSTER. I was looking at this chart, and it certainly indicates what we have done in the past years to improve our spares funding. And yes, it does tail off in the out years.

And I guess what we are really saying is we should probably—

Senator DIXON. Could I interrupt, Admiral. That is based on a budget of 3 percent growth for every one of the 5 out years. While this committee is going to fight to get that, I do not know whether the Congress is going to give it to us.

That is just this year. I do not know about the out years. I think what this committee is really genuinely shocked about and really has profound concerns about is that the whole question of depot maintenance, spare parts, and other things like that indicated that in these out years this thing is going to snowball and we will have a profoundly serious problem.

You know, I—

General DARLING. Sir, I would argue that unless—

Senator DIXON. Do you agree with that assessment of it? It is simplistic, I know. But is it a fair one?

General DARLING. I agree with you. I think if we do defer the problem it is going to get larger and more costly.

Admiral WEBSTER. Unfortunately, I think that is true.

Senator DIXON. I am not going to keep you gentlemen much longer. I want to tell you, we appreciate your cooperation and the spirit of forthrightness with which you have dealt with this committee. And obviously, none of the questions are ever intended to put you on a difficult spot, because I know that with you it is a sense of trying to balance priorities, just like it is with us.

So nobody has a very pleasant job around here these days, because of the obvious budgetary impact which is necessary for our country's national security interests. But if I could pursue a moment longer with you, Admiral, last year the Congress approved \$71 million in construction in the Philippines in Clark and at Subic Bay. The 1988 budget asks for \$118 million, the 1989 budget requests a similar amount.

I think it is safe to say Congress will look long and hard at spending one-quarter of a billion dollars on facilities in the Philippines when our long term tenure in that nation is very much open to question. We all understand the importance of these bases and that is not the question.

BASES IN THE PHILIPPINES

Could you provide the committee with your command's views on the long-term viability of our bases in the Philippines?

Admiral WEBSTER. Mr. Chairman, having spent the last 18 months in the Philippines, I think I understand the viability of those bases. But even more so, my personal opinion is our com-

mand really considers those bases to be essential to our strategy and our security in that area of the world.

They provide maintenance facilities, they provide throughput to all of our aircraft going to Diego Garcia. They provide a stabilizing area in Subic Bay, as well as Clark. And those people, those Philippine nationals who work here, depend on those two bases for their livelihoods.

Senator DIXON. Well, I do not think anybody argues that we need the bases. We recognize that. But what about the political liability and other considerations that are impacting on this whole question?

Admiral WEBSTER. Well, first of all let me talk about the political——

Senator DIXON. In an ideal world, we are happy with them right? But in the real world where are we?

Admiral WEBSTER. First of all, let us look at Mrs. Aquino and what she has accomplished in this last year. She is a very popular leader. She has the support of her people as far as accepting the constitution.

She has also shown the patience to allow a democratic system to evolve, and I think that one of the things that we really need to consider, is the fact that to get democracy moving after 20-some years of monarchy, there are going to be some growing pains.

Senator DIXON. Let me ask you this, and I do not mean to interrupt you, because I do not disagree with anything you have said. I like Mrs. Aquino and I think she is trying to do the right job.

But as I understand it, we do not have any long term commitment at this time. Am I right about this? Is there going to be a referendum on——

Admiral WEBSTER. In 1991 base negotiations will be going on. And these base negotiations are going to be hard and tough. But we feel that we will be successful because not only do we need those facilities but we think that the Philippine Government understands the importance of those bases.

Senator DIXON. Yes. Is there going to be a referendum by the Filipino people on whether they want those bases? Is that accurate or not?

Admiral WEBSTER. I am not sure whether it is a referendum. But there might be agreement negotiations. There will be negotiations on this.

Senator DIXON. Could we have some reason to feel more secure about making this investment concerning the future course of what happens there? I would like to have whatever you have when we look at all these numbers. Nobody has any problem with supporting your idea about these bases being important. But are they going to be there for us next year if we spend this money?

Admiral WEBSTER. I will provide you with that information.

Senator DIXON. I do not mean to belabor this.

Admiral WEBSTER. Yes, sir.

Senator DIXON. But this is a matter that has been raised in the subcommittee. And obviously there are a lot of places we can spend money, and we would like to keep the bases we build.

Admiral WEBSTER. And this is based on personal opinion: We really need those facilities improved in the Subic and the Clark

area. And I recognize the reluctance, but for those of us who lived there and had to depend on the power supply and the water supply, sir, we need it.

Senator DIXON. I hear you, and I do not have any quarrel with that. I just wish some of our friends and allies sometimes would see our side of it as well. You know, making investments, there is not any problem if they are secure investments. I do not think anybody on this committee questions that.

We would just like to know more about it. You can let us know.

Admiral WEBSTER. Yes, sir, I will provide you that information. [The information follows:]

The 1983 amendment to the Military Bases Agreement (MBA) provides for our use of the Philippine facilities through 1991. At that time, if a follow-on arrangement has not been negotiated, the bases agreement goes automatically to an annual basis with either party having the option to cancel the MBA upon giving one year's notice. However, the recently ratified Philippine constitution requires, in 1991, that negotiations for future use of the Philippine facilities must be referred to the Philippine Senate and any resulting agreement must have the status of a formal treaty between the governments of the Philippines and of the United States. Alternatively, the Senate has the option of referring the bases question to the people of the Philippines in a national referendum if it so desires. Therefore, we know that we are sure of the use of the facilities at least through 1991.

[Deleted.]

Senator DIXON. Could I ask you one more time to return to homeporting. [Deleted.]

You know, a lot of the homeporting issue talks about the security of our fleet and things of that type. Yet, it is the feeling of some of us that the national intelligence indications are that this is not really a major problem.

Do you predicate your support for homeporting—and I have no quarrel with the fact that you do that—on the security interests of the United States of America principally, or do you think that there are other matters that are brought into play connection with this interesting question?

Admiral WEBSTER. I think it is a mixed approach. Not only is the dispersal one aspect of it, but, of course, the congestion in other ports is another. And I think the General indicated also the quality of life and all that was equally true on the Atlantic side.

So that is all part of the equation of homeporting.

The question of mining is, I think, an interesting one [deleted].

General DARLING. Sir, I have no information that would dispute the intelligence information. I have nothing to quarrel with that. I have just not seen anything to dispute that.

Now, as far as the homeporting and the question you raise about the various reasons, I think all of us have heard discussed. But I can say from my position, I see nothing from any of the people that I am in contact with that would suggest that it is for anything more than genuine security reasons.

Industrial base is an important part of that. When I say security reasons, I put it in the broad context, the broad scope. There are a number of reasons that homeporting could be supported in the name of national security.

TRAINING, FLYING AND STEAMING TIME

Senator DIXON. General, are you and the Admiral, both of you, are you satisfied with the field training days, flying time, steaming time, this year and the next several out years?

General DARLING. Yes, sir; I said flying time and steaming days are adequate.

Admiral WEBSTER. Yes, sir. The flying hours and the steaming days are adequate to maintain our proficiencies and exercise.

Senator DIXON. I want to say, we are going to limit the number of written questions we are sending you. I do not want to overburden you with that. I think you both are being so forthright, and we appreciate very much your analysis of your situation, which is very helpful to us and important to you.

Nothing we have asked you want intended to embarrass you or to otherwise cause you any distress. We are not trying to put you on the spot. We are trying to figure out what to do when we get down to markup here and if we hit a bogey in this subcommittee or the whole Armed Services Committee. There are a bunch of subcommittees marking up eventually what the Armed Services Committee ultimately does, which may be supported in the Senate and may not, and undoubtedly will not be in the House.

So that we may have eventual problems that ultimately come to their complete fruition in the conference committee, as all of you would readily understand that.

I will be sending you some letters, to each of you, with questions in writing, and we would appreciate to the extent that you can do so your forthrightness in answering those questions.

On behalf of Chairman Nunn, of the entire committee and this subcommittee, I thank you for your cooperation today.

Yes, General?

General DARLING. Sir, I was going to say we appreciate your interest in these matters. There are some tough decisions to be made, and we appreciate your interest in these matters and your willingness to listen to us today.

I would like to correct one thing I said earlier in my statement, that the Atlantic Fleet had 3,000 ships. It is 300. I wish we did have 3,000.

Senator DIXON. When you said 3,000, I just ignored it because I do things like that myself, and I knew you did not have 3,000.

Thank you very much. Your correction is made on the record.

Yesterday I was asking the question to one of the Generals and he said: Well, that is an off the wall question. Then he corrected himself very quickly: No, I meant I am going to give an off the wall answer.

[Questions for the hearing record with answers supplied, follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

INTEGRATED PRIORITY LIST

Senator DIXON. Yesterday with representatives of European Readiness and Central Commands we discussed the Integrated Priority Lists that the CINCs submit as part of the development of the annual Defense budget.

I would like both of you to give us some indication this afternoon of the items on the Integrated Priority List which your command submitted during development of the fiscal year 1988 and 1989 Defense budget.

What did you ask for, and how much of what you asked for is actually in the Defense budget now before the Congress.

General DARLING. As you know the Integrated Priority List (IPL) identifies capability shortfalls or deficiencies but does not qualify the requirements either in dollars or in numbers of units required. Since the IPL was submitted in November 1985 and the services initially programmed resources in POM-88, the fiscal year 1987 budget request has been reduced from \$311.6 to \$281.7 billion. Similarly, projected funding for both fiscal year 1988 and fiscal year 1989 declined approximately \$20 billion for each year. Given these reductions, the fiscal year 1988/89 budget is appropriately balanced.

Our requestes to the services included munitions, repair parts, stocks for Army reserve forces medical, support equipment and lift. These areas were funded by the services at levels consistent with the fiscal environment. If additional funding was available, LANTCOM would further increase sustainability in these areas, as well as CBR defensive capabilities and the pre-positioning of POL war reserve stocks.

Admiral WEBSTER. Integrated Priority Lists (IPLs) are Planning, Programming, and Budgeting System documents (restricted to DOD internal use. This restriction protects the free and open exchange of ideas for budget recommendations to the President. USCINCPAC does not have the authority to release his IPL outside DOD. However, I raised a number of readiness and sustainability concerns in my written statement and ADM Hays presented priorities and deficiencies to the Senate Armed Services Committee on January 27, 1987. The following table provides some examples of specific support in the fiscal year 1988-89 Budget. Keep in mind that the figures in the table are totals; theater allocations are unknown at this point in the process:

EXAMPLES OF BUDGET SUPPORT FOR USCINCPAC PRIORITY REQUIREMENTS

[Deleted.]

I hope this information is helpful and that you understand my limitations in answering your request.

AMMUNITION SUSTAINABILITY POSTURE

Senator DIXON. Please summarize your current ammunition sustainability posture, both in the area of threat-oriented, "smart munitions and level of effort munitions.

General DARLING. Ordnance sustainability in the Atlantic Command has improved substantially since fiscal year 1981 and will continue to improve if the funds requested in the fiscal year 1988/89 budget are approved.

In fiscal year 1981, our inventory of threat munitions was [deleted] percent and level of effort was [deleted] of requirements. Existing contracts will result in inventions of [deleted] percent for threat and [deleted] percent of level of effort munitions requirements by the end of the fiscal year 1987 funded delivery period. The funds requested in the fiscal years 1988/89 budget will continue these improvements, although at a slower rate, and will provide [deleted] percent of threat and [deleted] percent of level of effort munition requirements by the end of the funded delivery period.

The reduced level of ordnance sustainability funding reflects the funding constraints imposed and the need to balance the fiscal year 1988 budget request.

Admiral WEBSTER. Our sustainability posture for level of effort munitions is close to our [deleted] objective. This masks our shortages in modern threat-oriented weapons. Although we have reduced these shortages substantially, most are still under [deleted] our requirement.

[Deleted.]

"Smart" munitions such as GBU-15's IIR-MAVERICK, I-2000 are just entering our inventories and are not sizable enough to impact our sustainability.

MUNITION PRIORITIES

Senator DIXON. Would each of you please indicate your priorities for munitions as they are reflected in the fiscal year 1988/89 budget?

Which specific munitions line items in the budget should we be most protective of from your point of view?

Are there any munitions programs which are not in the fiscal year 1988/89 budget which you think ought to be there?

General DARLING. Our munitions priorities are threat and then level of effort, which are listed below. Within the two categories of munitions, specific munitions to be protected are identified.

[Deleted.]

In addition, all of LANTCOM's munition capability requirements were addressed in the fiscal year 1988/89 budget program.

Admiral WEBSTER. Our priorities in munitions [deleted] and force multiplier munitions [deleted].

These munitions could be considered "war stoppers" in that they have a great impact in achieving air-to-air superiority, control of the sea lanes and providing effective fire power on the battlefield. They are the munitions programs we need to protect.

The services have been responsive to our priorities and have provided a good balance toward achieving our requirements.

None of the munitions programs has been overlooked.

WARTIME MEDICAL READINESS

Senator DIXON. This committee has been concerned for some time with the overall state of wartime medical readiness. Your statement indicates that you will have only a fraction of the required hospital beds available in the Atlantic Command by the end of fiscal year 1988.

What percentage of your projected wartime casualties could you treat in-theater with your current medical capability?

What will this percentage look like if the fiscal year 1988/89 defense budget is approved as submitted?

General DARLING. Our current medical capability provides for [deleted] percent of the total requirement. If the fiscal year 1988/89 defense budget is approved as submitted, the percentage of LANTCOM hospital beds available will increase to [deleted] percent of total requirement.

Senator DIXON. How would you characterize the wartime medical readiness posture in the Pacific Command?

Admiral WEBSTER. Many improvements have occurred in medical readiness in USPACOM over the last several years. Although Class VIII (Medical) sustainability improvements have been made and overall pre-position stocks increased, unfortunately, percentage of fill has been only modest because of a substantial increase in requirements. The numbers and quality of pre-positioned and forward deployed medical units in the theater have improved in the last two years. The Army has pre-positioned equipment for a combat support hospital. The Air Force will add to our capability in theater throughout fiscal year 1987 with a variety of pre-positioned and deployable initiatives (twelve 40-bed hospital-surgical expansion packages and increase in three (3) air transportable hospitals' capability from 24 to 50 beds). [Deleted.] The acceptance of the 1,000-bed USNS Mercy in mid-December 1986, was a big plus to the theater. In addition, we are still actively working in resourcing (staffing, equipping, and training) units which deploy to the Pacific during contingencies. Upgrades in this area are essential to increase our wartime medical readiness status. Also, serve POM assets (i.e., DEPMEDS, Fleet Hospitals, and Contingency Hospitals) must remain in the POM and be budgeted for, approved, and warehoused/constructed in order for USPACOM to more fully address medical shortfalls. [Deleted.] Over overall aeromedical airlift capability and support will be significantly upgraded [deleted.] Additionally, near term support is required from DOD and Congress [deleted]. This is our linchpin for providing theater medical support. In summary, we have made notable medical contingency improvements, but, admittedly still have a way to go.

Senator DIXON. What percentage of your projected wartime casualties could you treat in theater with your current medical capability?

Admiral WEBSTER. The percentage we could treat in theater is scenario-dependent. [Deleted.] We'd be harder pressed at this time to medically support a global conflict in which there is competition for a finite number and amount of medical assets. I cannot hang my hat on a specific percentage at this time—much depends on the nature, intensity and duration of the conflict, as well as the advance warning time/mobilization period. I can only say we've improved markedly in medical readiness in USPACOM over the past several years, have identified our shortfalls, and established where we need to go with some intervening achievable milestones. I do know that we need Defense Department, Executive and Congressional support to continue

to make substantive improvements in our capability to provide in-theater medical support.

MILITARY CONSTRUCTION

Senator DIXON. The fiscal year 1988/89 military construction request includes a number of contingency medical projects at overseas locations. Where do you rank these projects, and the associated equipment and material procurement, among your command's priorities?

General DARLING. The command has one Deployable Medical System (DEPMEDS) military construction project in the fiscal year 1988 program for \$6.7 million. The project will fund support facilities and site preparation for DEPMEDS. It ranks second among Atlantic Command's five highest military construction project categories.

Admiral WEBSTER. USCINCPAC ranks readiness and sustainability as our number one priority. Sustainability as defined also includes medical facilities and therefore ranks as one of our top priorities. Inadequate hospitalization facilities is considered as a potential war-stopper. The Defense Medical Facilities Office now has management responsibility for all medical facilities and assigns separate priorities for construction of medical facilities projects worldwide. We consider construction of medical facilities and procurement of associated equipment as one of our high priority requirements and have the support of the Defense Medical Facilities Office in this issue.

MILITARY CONSTRUCTION

Senator DIXON. The military service have submitted ambitious military construction requests for the installations supporting the forces assigned or allocated to your commands.

Some of these projects have direct readiness impacts upon your areas of responsibility, while others such as troop, housing and family support, have indirect impacts through enhanced morale, retention, or efficiency.

Would you each outline the five highest priority military construction projects, or types of projects, in this year's budget based on your CINC's perspective?

General DARLING. The military construction categories by priority and associated projects in the Atlantic Command's forward area are as follows:

(1) Surveillance Systems: Iceland Air Defense System (IADS)—\$34 million USAF (fiscal year 1988) and \$442 million NATO funds.

(2) Sustainability: POL Phase IV Upgrade (Iceland)—\$15.4 million USN (fiscal year 1988) and \$6.6 million NATO funds; and support facilities/site preparation for deployable medical system (Norway)—\$6.7 million DOD funds (fiscal year 1988).

(3) Command and Control: Combined Operations center support (Iceland)—\$3.05 million USN funds (fiscal year 1988).

(4) Operations: Airfield Pavement (Iceland)—\$2.75 million USN (fiscal year 1988) and Airfield Lighting (Azores)—\$4.6 million USAF funds (fiscal year 1988).

(5) Personnel support: BOQ (Bermuda)—\$3.15 million USN funds (fiscal year 1988) Dining Hall (Azores)—\$2.75 million USAF funds (fiscal year 1989).

Admiral WEBSTER. The types of projects which are important to CINCPAC are fairly represented in the balanced MILCON programs submitted by the services in support of our readiness and sustainability objectives. Radar facilities to enhance air defense are included to continue work initiated in the fiscal year 1987 program. Maintenance facilities for aircraft, ordnance, and supplies will allow us to sustain our efforts in the theater. Storage projects for ammunition, fuel, and supplies are important to our strategy of forward deployment. Improved facilities for command, control, and communications will enable our commanders to exchange critical information in a secure and timely manner. Operational and training projects are included to sharpen our combat skills and enhance our combat capabilities. We need to improve the conditions of all of our bases, and in particular, their utility systems. Medical facilities, now under the auspices of the Defense Medical Facilities Office, are an integral part of our effort to sustain our forces in the event of war. Quality of life projects, as a general category, are a vital part of our readiness. Our men and women in the Pacific Command need the continuing support of Congress for the people-oriented programs that have done so much to improve the quality of our force over the past several years.

SHIP AND CARGO MAINTENANCE

Senator DIXON. Admiral Webster, the Navy has requested \$25 million in fiscal year 1988 and \$3 million in fiscal year 1989 to develop an overseas ship and cargo maintenance activity in Guam to support the Maritime Prepositioned Ships (MPS) deployed in the Pacific and Indian Oceans. Can you discuss the readiness implications of this investment for your command?

Admiral WEBSTER. The projects you refer to will provide the U.S. Pacific Command with in-theater maintenance for the equipment, ordnance, and supplies aboard our two squadrons of MPS. Without these projects, our ships will be required to transit to the MPS facility at Blount Island, Florida for each 18 month maintenance cycle, at a cost of an additional 370 ship-days of transit time per cycle. This extra transit time will cost over \$36 million every 18 months. The Guam MPS maintenance facilities are a necessary part of our prepositioning concept. Readiness and economics both support Guam as the preferred maintenance site.

QUESTIONS SUBMITTED BY SENATOR GORDON J. HUMPHREY

AMMUNITION REQUESTS

Senator HUMPHREY. You paint improved pictures about the conditions in our commands. I am glad to see these improvements. They were badly needed. However, the current budget requests have some very discouraging trends. I would like to ask your opinion on the potential impacts on the following:

Ammunition requests have been reduced for fiscal year 1988 and fiscal year 1989?

General DARLING. Ordnance sustainability in the Atlantic Command has improved substantially since fiscal year 1981 and will continue to improve, if the funds requested in the fiscal year 1988/89 budget are approved.

In fiscal year 1981, our inventory of threat munitions was [deleted] percent and level of effort was [deleted] percent of requirements. Existing contracts will result in inventories of [deleted] percent for threat and [deleted] percent of level of effort munitions requirements by the end of the fiscal year 1987 funded delivery period. The funds requested in the fiscal year 1988/89 budget will continue these improvements, although at a slower rate, and will provide [deleted] percent of threat and [deleted] percent of level of effort munition requirements by the end of the funded delivery period.

The reduced level of ordnance sustainability funding reflects the funding constraints imposed and the need to balance the fiscal year 1988 budget request.

Admiral WEBSTER. We still have not received the benefits from the fiscal year 1986 and fiscal year 1987 budgets [deleted] however, most of these programs have experienced cuts in the fiscal year 1988 and fiscal year 1989 budgets. It is in this area that greatest impact will be felt. We will experience a slower growth rate [deleted].

FLYING HOURS

Senator HUMPHREY. You paint improved pictures about the conditions in our commands. I am glad to see these improvements. They were badly needed. However, the current budget requests have some very discouraging trends. I would like to ask your opinion on the potential impacts on the following:

Navy flying hours funded at 95 percent of the operational requirements?

Flying hours of crew members in all services have leveled off in fiscal year 1988/89. Have we reached the maximum in these areas?

General DARLING. The flying hours funding in fiscal year 1987 is adequate and remains so in the fiscal year 1988/89 budget.

In the case of the Air Force, the maximum has not been reached in flying hours. For example: Strategic Air Command's fiscal year 1988 requirements (hours per crews/per month) are 21.6 with 18.1 programmed and Tactical Air Forces fiscal year 1988 requirements are 21.3 with 19.5 programmed.

The Navy maximum has not been reached either. The Navy flying hour program is funded at the 85 percent level. For example: Navy TACAIR requirement (hours per crews/per month) are 29.5 with 25 programmed.

Although the maximum flying hours required have not been reached, the overall program is adequate and reflects the need to balance the fiscal year 1988 budget request.

Senator HUMPHREY. Admiral Webster, what is your opinion on the potential impact of Navy flying hours funded at 95 percent of the operational requirements?

Admiral WEBSTER. The Navy flying hour program has been funded for the last several years to 87 percent of Primary Mission Readiness (PMR) and this level is expected to continue through fiscal years 1988/89. Deployed units are funded at higher levels (up to 115 percent PMR) due to readiness and safety considerations as well as operational tasking. Less than 100 percent PMR funding creates a shortfall for non-deployed squadrons which is exacerbated by increased flight hour requirements for deployed units resulting in less than optimum flight hours remaining for squadrons in training. Any further reduction below 87 percent PMR would have to come from training due to deployed readiness/safety/operational constraints impacting negatively on readiness and aviation safety.

REAL GROWTH IN O&M

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

Real growth in the O&M accounts of a -\$2,186.5 million for fiscal year 1988 and +\$1,470.0 million for fiscal year 1989?

The Air Force has briefed to this Committee Staff that they have a -2.5 percent real growth in fiscal year 1988 for O&M funding?

General DARLING. The lack of real growth in fiscal year 1988 reflects programmatic adjustments between fiscal year 1987 and fiscal year 1988 and the need to balance the budget request within imposed funding constraints.

The Air Force budget as submitted contains adequate Operations and Maintenance (O&M) for both fiscal year 1988 and fiscal year 1989. This does not mean that the Air Force has all of its O&M requirements funded. Because of budget constraints, there will continue to be backlogs in such areas as maintenance and real property repairs. Obviously, while we can live with an increasing backlog for a time, a long-term buildup of unfunded requirements will eventually have an adverse impact on readiness.

Admiral WEBSTER. We understand that the figures quoted are from the DOD O&M Overview. We cannot verify these numbers nor do we have that document to review. Additionally, we understand that there may be some uncertainty about the dollar amounts. The impact of these changes in the O&M account should have little, if any, impact on USPACOM.

SUPPORT

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

With all the new and modern equipment being introduced requiring more support, the largest real increases in the O&M accounts were for CHAMPUS and the civilian retirement contributions?

General DARLING. The Military Health Services System consists of a military component (uniformed services hospitals and clinics) and a civilian component (CHAMPUS program) to meet medical care needs for our beneficiaries. In 1986, there was a shift in workload from military treatment facilities to the civilian component because of a lack of critical specialist medical officers and other skilled support and associated health personnel. The workload shift was unexpected and therefore unbudgeted. Increased CHAMPUS funding requirements in fiscal years 1987 and 1988 were met by reprogramming of existing funds. For fiscal year 1989 the Deputy Secretary of Defense decided to increase funding for this requirement in lieu of requiring service offsets. Therefore, an increase of \$261.6 million is shown in the O&M account.

Increased funding for civilian retirement takes away from other O&M projects, however, the impact cannot be quantified.

Admiral WEBSTER. The fiscal year 1988/89 President's Budget is the first normal budget submission to reflect the funding change for CHAMPUS and the impact of the new Federal Employees Retirement System. The Secretary of Defense's decision to move CHAMPUS from direct Department of Defense funding to Service funding caused large increases in the Service O&M accounts. Likewise, the cost of civilian retirement pay increased compared to previous budgets due to the higher percent of contribution made by each service. Contributions to the new Federal Employees Retirement System equal 23 percent of the civilian salaries, as opposed to only 7 percent under the previous system.

The CHAMPUS program has been the major focus of cost-containment efforts in past years. The Federal governments financial obligation continues to grow and beneficiary dissatisfaction is escalating. The increase in CHAMPUS funding reflects the CHAMPUS Reform Initiative. This initiative maximizes buying power by establish-

ing six regional umbrella contracts covering the entire United States. For a fixed sum, the contractors become responsible for providing 25% to 30% of the DOD beneficiary health care purchased from the civilian sector. This effort requires added funding right now, relieving the overload on military treatment centers and leaving us better prepared in the event of a national emergency.

The increase in civilian retirement contributions is an effort to compensate for reduced benefits suffered in recent years. The bottom line is that neither CHAMPUS nor the retirement increases came at the expense of support for new, modern equipment.

DEPOT AND REAL PROPERTY BACKLOGS

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

The depot and real property backlogs are increasing by hundreds of millions each year—1987-89?

Navy has changed its definition on ship overhaul and repair backlogs—there are no more? This is in the face of Navy "management decisions" to delay/decrease 20 ship overhauls/repairs in the fiscal year 1988/89 request. What do you believe the impact will be? Are we stretching the repair cycle too far?

General DARLING. The decline in DOD projected funding for fiscal year 1986/87 and fiscal guidance in the fiscal year 1988/89 program have naturally resulted in reduced funding in these areas. Although the backlogs will eventually affect readiness, it is manageable by the services. I agree with the balance in the fiscal year 1988/89 budget, given the funding constraints imposed.

The Navy's transition from a ship "overhaul" to "phased maintenance" concept extends the cycle for some ship types from 60 to 80 months. The program focuses limited fiscal resources on the most critical maintenance areas to ensure that the readiness of deploying forces will not be impacted. If the intermediate Selected Restricted Availability (SRA) repairs remain adequately funded, then the increased repair cycle will not impact deployment readiness and schedules.

Admiral WEBSTER. It is a risky business policy to allow real property backlogs to grow out of control. While I understand that when budgets are tight some deferrals of maintenance are possible, sooner or later we must pay the price. You can look at industry for examples. The industries that are the strongest, the most efficient, and the most competitive are generally those that have maintained their plants and modernized them through prudent investment. The potential impact of growing backlogs is further physical deterioration and functional obsolescence; we need to counter that trend.

MISSION READINESS

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

Primary Mission Readiness of the Navy has leveled at 87 percent. Is that the maximum and is that adequate?

General DARLING. The Navy maximum has not been reached, but funding in fiscal year 1987 is adequate. For example: Navy TACAIR requirements (hours per crews/per month) are 29.5 with 25 programmed.

Although the maximum flying hours required have not been reached, the overall program is adequate and reflects the need to balance the fiscal year 1988 budget request.

Admiral WEBSTER. Primary Mission Readiness (PMR) level of Navy aircraft is a dynamic indicator that is a function of many different factors, including deployment cycles, operational and training requirements, maintenance projections, and safety considerations. A PMR level of 87% represents an average level and therefore includes the high PMR levels while a squadron is deployed as well as the lower levels while undergoing extensive post-deployment maintenance and pre-deployment training. It certainly does not represent a maximum level obtainable but it is reflective of overall peacetime priorities and employment practices.

FLYING HOURS

Senator HUMPHREY. Flying hours for crew members in all services have leveled off in fiscal year 1987/89. Have we reached the maximum in these areas?

Admiral WEBSTER. The amount of flying hours for our services' crew members is an important factor that must be examined in terms of aircrew proficiency and pilot retention. It is a program that receives close monitoring and careful analysis by the

services as well as the warfighting commanders from the squadron level to the Unified CINCs. While we are not at a maximum level in this area, neither are we accepting an undue risk. Training for aircrews has taken on many new innovative approaches to increase proficiency and systems knowledge. The use of flight simulators and instrumented range facilities as well as comprehensive exercises that highlight aircrew performance and interoperability are but a few examples. The flight hour funding level is not as high as we would like to see it, but it has been carefully balanced among other priority programs and represents a fair share of funds available in this budget.

STEAMING DAYS

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

Steaming days per quarter for the active fleet for both deployed and non-deployed ships have leveled at 50.5 and 29.0 respectively. Is this the maximum and is it adequate?

General DARLING. These budgeted steaming days (OPTEMPO) are adequate for the Navy to cover its worldwide commitments and maintain nondeployed readiness. It should be noted that the deployed OPTEMPO does not provide for contingency operations requiring increased at-sea time, e.g., Libyan, Eastern Med/Lebanon or Persian Gulf operations.

Admiral WEBSTER. The level of steaming days per quarter identified is not the maximum level obtainable but represents a reasonable approach when taken in the context of a peacetime level of operation under a constrained budget with competing needs to maximize our warfighting capabilities. The individual ship commander is always going to want more at sea time to hone his ship and crew as a warfighting team under the arduous conditions underway. To supplement his training requirements, initiatives to employ inport three dimensional, computer driven battle group trainers are paying handsome dividends. Additionally, the progress being made toward our 600 ship fleet is taking the load off some of our older classes of ships and enabling more availability for inport repair and maintenance upkeep.

The balanced approach of the fiscal year 1988/89 budget provides an adequate funding level for our operations tempo while retaining support to maximize our warfighting capabilities.

AIR FORCE FLYING HOURS

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

The Air Force has requested 41,000 less flying hours for fiscal year 1988 and another 13,000 less for fiscal year 1989. What could the effect on readiness be?

General DARLING. In this particular case, reductions are principally in the airlift area. MAC management efforts have included reducing nonmission essential flying and increasing the use of trainers to complement training. In the case of the tactical air forces, the Air Force has responded to the adequacy of the flying hour program by stating that while it does not meet all requirements, the flying hour program is adequate and reflects the need to balance the fiscal year 1988 budget request.

Admiral WEBSTER. While the apportionment of Air Force flying hours in the Pacific for fiscal year 1988/89 has yet to be finalized, no reduction in this program is anticipated and the present funding level is adequate with careful management. A deliberate approach to maximize training and increase combat readiness with minimal impact on flying time has provided the most ready combat forces in recent memory. With a measured exercise program, which includes over 70 percent with Allies and 93 percent with sister Services, adequate tests are in place to monitor warfighting capabilities and assess the flying hour program and the impact of changes in force structure and crew ratios. The flying hour program remains a vital concern of the Unified Commander as one of many factors affecting the readiness of his forces. The proposed budget provides a balanced approach to meeting our warfighting needs.

AIR FORCE O&M FUNDING

Senator HUMPHREY. The Air Force has briefed to this committee staff that they have a -2.5% real growth for O&M funding?

Admiral WEBSTER. The AF total aircraft inventory will decrease slightly in the funding year but PACAF will maintain the same force level. At this time we cannot

quantify the impact of USPACOM of this negative real growth but we expect it will be minimal.

OIL AND OIL PRODUCTS

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

Last year it was proposed that the purchases of oil and oil products produced in and from companies doing business in Angola be prohibited. DOD stated that such action would have readiness and sustainability impact, especially on our military forces overseas. Would you please comment on the impacts from your respective commands' perspectives? Numerical quantifications are requested, and classified responses are acceptable, if they cannot be avoided.

General DARLING. The impact cannot be quantified. USCINCLANT fleet units do not visit Angola and do not buy identifiable Angolan oil products. Most USCINCLANT fuel is purchased and supplied by the Defense Fuel Supply Center (DFSC). Adverse effects such as decreased supply and higher prices would necessarily impact USCINCLANT in the long run.

Admiral WEBSTER. We have been advised that ten major oil companies or their affiliates do business in Angola. At present we are unable to identify those contractors indirectly dealing in Angolan oil. However, we are aware that Angola exports 80 percent of its crude oil production of approximately 250,000 barrels per day. Consequently, our answer to your question errs on the conservative side.

The Defense Fuel Supply Center has awarded contracts to four of the affected companies to satisfy over 40 percent of the Western Pacific bulk peace time requirements for military jet fuels, marine diesel fuels, unleaded motor gasoline, and bulk marine engine oils (307,832,160 gallons-per-year). We also have direct delivery support by affected companies which could not be replaced without difficulty (post, camp, and station contracts—9,787,825 gallons; into-plane servicing—4,652,000 gallons; and ships bunkering contracts—20,667 metric tons).

It is difficult to quantify precisely the full potential impacts of the loss of a significant number of suppliers on the military mission. Naturally, limiting qualified companies will limit competition. Implementation of last year's proposed legislation would have resulted in no requirements coverage at eight locations.

It is very important for the military for strategic, as well as cost-effective reasons, to have several contractors available and bidding to provide fuel at each operating location. In the event of military exigency, demand for fuel could far exceed the capabilities of a single source of supply. In wartime, we would require as many sources of supply as we could possibly obtain.

A sudden cutoff of oil from sources doing business in Angola could provide adverse impacts on both readiness and sustainability. [Deleted.]

In summary, the impact of last year's proposal would be adverse to USCINCPAC. Contractors affected have had a long and distinguished record of providing cost-effective, on-time, and quality fuel support to USCINCPAC customers. We value them highly.

AIRCRAFT INVENTORIES

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

The total aircraft inventories in the Navy and Air Force show decreases in fiscal year 1988 and fiscal year 1989. What will be the effect on readiness and sustainability of this major change in inventories? What are the major reasons for the decreases and is it consistent with the operational command requests?

General DARLING. Air Force aircraft inventories, primarily T33s, helicopters and F-4s do decrease in fiscal year 87-89. While T33s and helicopters contribute to readiness as support aircraft, these systems are not front line combat aircraft.

Replacing older weapons systems with newer, more reliable and maintainable systems should favorably influence both readiness and sustainability. Regarding consistency with the operational command requests, the number of USCINCLANT apportioned tactical fighter squadrons remains the same.

As a result of prior-year funding, Navy aircraft inventories actually increase rather than decrease during fiscal year 1988/89. This increase, from 5786 aircraft in fiscal year 1987 to 5850 in fiscal year 1989 will improve our readiness and sustainability and is consistent with USCINCLANT requirements.

Admiral WEBSTER. Total aircraft inventories are but one factor in assessing readiness and sustainability in the Pacific theater. Also of importance is the proper mix of types of aircraft and the capabilities of each of those types. According to Navy

sources there will not be a reduction in total aircraft inventory. Projected Navy inventories show fiscal year 1987 at 5786, fiscal year 1988 at 5831 and fiscal year 1989 at 5850. Likewise, no major changes in Pacific Air Force aircraft inventories are anticipated. The primary reason for a decrease in inventories is the replacement of older, less capable aircraft with newer, more sophisticated and capable aircraft, a trend any military commander would support. For example, the Air Force F-16C of today is three times as effective as the F-4E of 1980 in sortie per day generation while the F-16C is one and a half times as effective in the air to air role and almost twice as effective in the air to ground role. While the cost factor is certainly a major concern when evaluating the inventory requirements, capability enhancements to maintain the technology edge through force modernization is a necessary requirement supported by operational commanders. The high cost of modernization of today's aircraft necessitates longer buy periods. With the stretch out in buy periods, the older aircraft must be maintained in the inventory until sufficient quantities of the replacements are available. For example, an Air Force F-4 squadron remains in place until sufficient F-15 aircraft are available with trained crews and maintenance personnel to replace it. Only then are the aircraft taken out of the active inventory necessitating a total inventory decrease. The sustainment for the new aircraft will not be totally compatible with the old one and the aircrews and maintenance personnel will not have the depth of experience as with the older aircraft. There will be a temporary decrease in the readiness and sustainability of this newly reorganized unit; however, this is only temporary as the net effect will be a heightened capability to support the warfighting needs of the commander.

WEAKENED DOLLAR

Senator HUMPHREY. I would like to ask your opinion on the potential impacts on the following:

The Foreign Currency Transaction Fund Defense has had severe cycles due to dollar values overseas and congressional actions. What are the effects of such swings on your commanders' operations? Are there effects on readiness and sustainability?

General DARLING. The weakened dollar has increased the cost of commercial repair services and port costs for deployed Atlantic Fleet units. This has had some but not significant impact on Fleet readiness and sustainability since we program most repairs and all such overhauls for CONUS.

Admiral WEBSTER. The rapid appreciation of foreign currencies in relation to the U.S. dollar is having a detrimental effect on USPACOM operations, readiness and sustainability. I am particularly concerned with the impact on Army Forces in the Pacific who are faced with having to withdraw funds from their command operating budgets to replenish the Foreign Currency Fluctuation, Defense (FCF,D) account. This replenishment is necessary due to an Army-wide problem associated primarily with the increased value of the DM and the yen. This withdrawal of operating funds from the Pacific Army commands has resulted in the reduction of some important battalion-level training, the deferral of major maintenance and repair throughout the command, and postponement of eight military construction projects in Korea. These resource decrements are degrading USPACOM's operations and reducing our capability to train and sustain our forces. Although the FCF,D account was built to stabilize the effect of currency fluctuation during the execution of our program, the steep drop of the U.S. dollar has exceeded the fund's capacity to stabilize this situation.

Senator DIXON. The subcommittee is adjourned.

[Whereupon, at 3 p.m., the subcommittee was adjourned.]

**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEARS
1988 AND 1989**

WEDNESDAY, MARCH 11, 1987

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

**DEPOT MAINTENANCE, SUPPLY, AND SPARE PARTS
PROGRAMS**

The subcommittee met in open session at 2 p.m., in room SR-222, Senate Russell Office Building, Senator Alan J. Dixon presiding.

Present: Senators Dixon, Levin, Bingaman, Warner, and Humphrey.

Staff present: Robert E. Bayer, George K. Johnson, Jr., Ronald P. Kelly, David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon; James R. Sayer, assistant to Senator Wirth; William J. Wight, assistant to Senator Warner; Alan Ptak, assistant to Senator Gramm.

OPENING STATEMENT OF SENATOR ALAN DIXON, CHAIRMAN

Senator DIXON. Ladies and gentlemen, the Subcommittee on Readiness, Sustainability and Support meets this afternoon to continue our hearings on the fiscal year 1988/89 Defense authorization request.

Last week we held 2 days of hearings with the designated representatives of our major Unified Commanders in Chief. This week and next week, we will hear from the Senior Logistics Commanders in the military services, and the Defense Logistics Agency. These commanders are responsible for ensuring that the weapons systems are overhauled on schedule, and that the spare parts for peacetime and wartime operations are on the shelves when and where they are needed.

Gen. Earl O'Loughlin is a commander of the Air Force Logistics Command.

Lt. Gen. Peter Burbules is deputy commanding general for Readiness, and the executive director for conventional ammunition of the Army Materiel Command.

Gentlemen, we welcome you to this subcommittee, and we appreciate you being here this afternoon. Your full statements will, of

course, be included in the record. They are both very good ones. I want you to know I have thoroughly read them. We will have questions after you have given your oral testimony.

I would like to apologize for the fact that the ranking minority member, Senator Humphrey, is not here. He has a conflict right now at another committee, where I understand that there are some important matters before them, and he may be in later. I am sure other members of this subcommittee will be in from time to time.

May I say to each of you that it is my practice to carefully read your statements beforehand. We like to keep the statements as reasonably short, as you present them to us, as possible, in the time-frame of 10 minutes or so.

We are not strict about it, but I notice the statements are rather lengthy, and I want you to know I have read them thoroughly. General O'Loughlin, will you proceed please.

**STATEMENT OF GEN. EARL T. O'LOUGHLIN COMMANDER, AIR
FORCE LOGISTICS COMMAND, U.S. AIR FORCE**

General O'LOUGHLIN. Yes, sir. Mr. Chairman and the members of the Subcommittee on Readiness and Sustainability and Support, I want to thank you for the invitation to testify today. I appreciate the opportunity to contribute to your hearings on the President's 1988/89 budget authorization request. I have provided copies for the record, as you have so aptly stated, and I ask that they be inserted into the record. I have also dropped off a pamphlet or a booklet on the mission support pricing. It tells the whole story, and dates back to the things that have affected us over the years. I think it would be interesting reading for you, when you have time.

Senator DIXON. It looks very interesting. I promise you I will read it.

General O'LOUGHLIN. I would like to begin by saying that in recent years, the logistics posture at the Air Force has improved dramatically in terms of readiness and sustainability. We are in better shape today than perhaps ever before. With the support of the Congress and the administration, we have pulled ourselves out of that hole of neglect that we dug for ourselves in the 1970s, and between 1970 and 1985 we have substantially increased our funding for spares from 24 percent of the requirements then, to a peak of 100 percent of the requirement in 1985.

With your help, we have increased our operation and maintenance funding from \$4 billion in 1980 to \$7.2 billion in 1985, and a slightly reduced \$6.8 billion in 1986.

With the increased support we received, we also have been able to develop and test and incorporate modifications which have made our systems more maintainable and reliable. We have been able to more effectively gear our logistics support to the needs of the war-fighting CINCs.

We have improved our depot facilities and equipment, making them more efficient and more responsible to future wartime requirements. We have turned the corner on improving the acquisition process. We have enhanced competition, instilled a sense of accountability and we are now institutionalizing those successes that we have accomplished.

We bettered the quality of life for our people, instilling pride, increasing morale, and increasing productivity.

I believe the results of all this, in part, is that our Air Force mission capable rate has gone up 24 percent since 1980, we now have more aircraft available to do the job. We now have the wherewithall to train our people better, and now have a more secure nation than we did in the 1980 time period.

We have all seen how absolutely dependent our modern weapons systems are on logistics. We have seen the payback from logistics investments, and we have been reminded yet again of what it costs in time and money to correct the past mistakes.

A logistics miscalculation today translates directly into a readiness and sustainability problem tomorrow. From our experience after the 1970s, we know that the readiness and sustainability problems require a lot of money and time to solve.

My concerns then, revolve not around our warfighting capabilities today, because they are excellent. The administration and the Congress have seen to that. My concern is that we will make mistakes about logistics support today, that will degrade our readiness and sustainability tomorrow.

First, I believe we must guard against the temptation to over-centralize our logistics process, ostensibly to improve economy and efficiency. Military effectiveness would surely suffer. In the military, that means any economies and efficiencies would be false.

We also have an urgent need to rethink some of the legislation that was passed to improve the acquisition process. What it is really doing is seriously impeding this process, and hurting our ability to buy the defense we need.

We have to continue to support the logistics management systems' modernization program. Those programs represent the future of the logistics business. As they go, so goes our ability to support the Air Force of tomorrow.

AFLC must also be allowed to continue managing its people by the work that needs to be done, not by what day it is on the calendar. I trust Congress will continue to let us manage by sound and proven financial methods, not by artificial end strength controls.

In addition, since AFLC's organic capability is critical to the Air Force wartime mission, we need to continue posturing our depot maintenance capabilities, primarily on the wartime mission, not merely on peacetime operations.

I am also concerned about reduced appropriated fund support for our morale, welfare, and recreation activities. These activities equate directly to the spirit and well-being of our people. Frankly, in the end, people determine the readiness of military forces.

Finally, we must not back off on AFLC's construction needs. Our requirements represent a tough, no nonsense program, where budgetary constraints have already forced deferral of all but the most critical projects.

In conclusion, let me just say that I appreciate your invitation to testify before this subcommittee. I thank you for your past support and the gains in readiness and sustainability we have realized as a result of that. I ask for your continued support to ensure the Air Force will have the warfighting capability it needs. Thank you, sir.

[The prepared statement of General O'Loughlin follows:]

PREPARED STATEMENT OF GEN. EARL T. O'LOUGHLIN, COMMANDER, AIR FORCE
LOGISTICS COMMAND, U.S. AIR FORCE

Mr. Chairman, and members of the Subcommittee on Readiness, Sustainability and Support of the Senate Armed Services Committee: Thank you for the invitation to testify today. I appreciate the opportunity to contribute to your hearings on the President's fiscal year 1988/89 Defense Authorization Request. In this testimony, I will first address the logistics readiness/sustainability support status of the Air Force. Then I'll deal with particular AFLC efforts to improve support and discuss some of our concerns for the future. Finally, I'll look at the FYDP, particularly with regard to fiscal year 1988-89 funding.

LOGISTICS READINESS/SUSTAINABILITY STATUS

The key to having readiness and sustainability of our forces today is having had adequate funding years ago. I'm happy to report that we're now seeing a solid return on the strong support both the Administration and Congress have been providing for several years. The increased commitment this nation made to improving readiness and sustainability after the neglect of the 1970s is now paying off.

The Air Force is in good shape. In fact, in many areas, things are better than ever. Our readiness is up, our mission capable rates are up, and we have more aircraft flying more hours. I believe we learned some harsh lessons during those past years of neglect—the fact that military strategy and combat capability are totally dependent upon logistics—and the fact that it takes a great deal of time, money and leadership to make up for shortchanging this area.

Aircraft spares

Aircraft spares are vital to peacetime readiness and wartime sustainability. Categories of Aircraft Replenishment Spares include Peacetime Operating Stocks (POS), which support peacetime training and form the baseline for wartime readiness; War Reserve Spares Kits (WRSK) and Base Level Self-sufficiency Spares (BLSS), which support initial wartime operations and increase our overall readiness to deploy and fight in place; and Other War Reserve Material (OWRM), which provides wartime sustainability until industry mobilizes and achieves wartime production levels.

Aircraft spares are a unique commodity because they are not readily available from commercial sources in time of war. In addition, because of the capacity of the defense industrial base, the shortage of trained and skilled people in industry, our reliance on scarce strategic materials, and the burden of supporting both new and old technologies, the lead times to buy and produce spare parts is often two or more years.

In 1980 we were not spending enough on spares support to meet our peacetime or wartime missions. We simply did not have enough parts to keep our forces flying and ready to fight. In fact, AFLC requirements were funded at only 24 percent. Since then, funding for aircraft spares has increased some 191 percent, up to 100 percent of our requirements in 1985, but with some decline in subsequent years. Here are a few examples of peacetime funding increases between 1980 and 1986: F-15, up 39 percent; F-4, up 18 percent; and B-52 up 351 percent.

We've also made significant improvements in sustainability, but that too has taken years of effort. Before 1980, shortages in WRSK restricted our logistics support to combat forces. We identified a requirement of \$579 million in fiscal year 1980, but were funded at only \$87 million. With the increased emphasis on defense readiness, our funding for WRSK/BLSS has increased by 607 percent, peaking at 100 percent of our 1985 requirement. OWRM funding has gone from zero in 1980 to \$593 million in 1985.

Operations and maintenance

Along with our ability to buy enough spares to stock the logistics pipelines and keep our systems operating, our resources to operate and maintain our forces logistically has also improved. That's because we've been allocated more operations and maintenance dollars, from \$4.0 billion in fiscal year 1980 to \$7.2 billion in fiscal year 1985, and a slightly reduced \$6.8 billion in fiscal year 1986. The result has been a dramatic increase in our ability to do such things as allocate flying hours to train aircrews and increase proficiency and combat readiness. In fact, flying hours for the F-15 alone have gone up 43 percent.

Improved readiness and sustainability

Our logistics posture has improved substantially. But it's been a long and expensive effort. Today, we must keep our "eye on the ball," and stay away from those

same budgetary traps and short-term temptations of the 1970s which made static displays out of some of the most advanced weapon systems in the world—forces that we sorely needed to deter aggression and support national security. In fact, because of recent funding cuts, we've already had to make adjustments in fiscal year 1986. WRSK has been funded at 75 percent, and OWRM is not being funded. Still, we're well ahead of where we were in 1980, and we're working hard to stay ahead.

AFLC'S CONTRIBUTION TO MISSION CAPABILITY

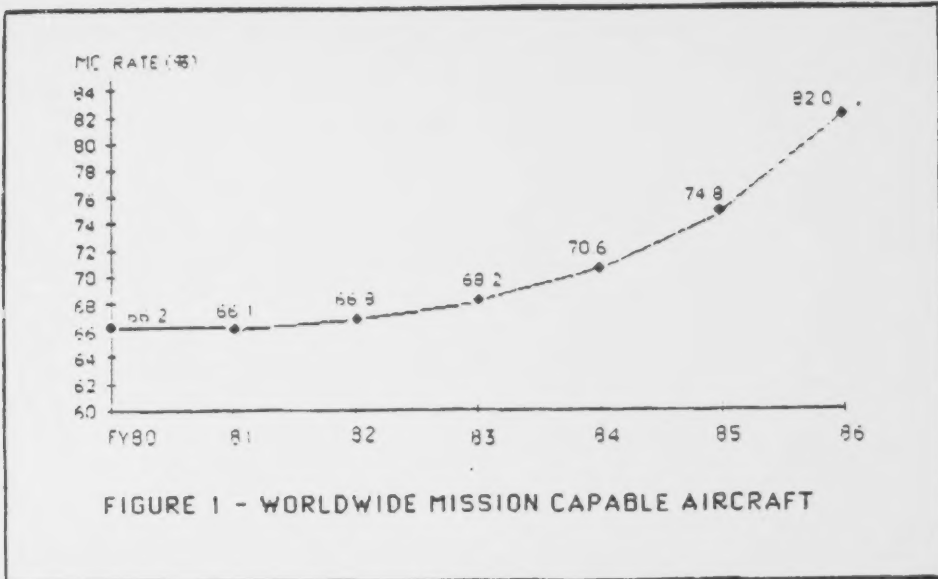


FIGURE 1 - WORLDWIDE MISSION CAPABLE AIRCRAFT

As Figure 1 shows, our mission capable rate has increased by 24 percent since 1980. That's more impressive than it seems, since we increased the number of aircraft in the operational force during those years. As a direct result of the support we have received, we now have more planes available to do the job, and to train people to do the job. For example, in ATC, the number of mission capable aircraft has increased substantially. The individual T-37 mission capable rate has increased 27 percent, and the T-38 mission capable rate is up by 29 percent. And with the sustaining engineering and modification monies provided us, we've been able to do such things as develop a life extension program called Pacer Classic for the T-38 to carry it beyond the year 2010. That means we won't have to buy a supersonic replacement trainer for perhaps 25 years, estimated cost avoidance of nearly \$5 billion for the fleet.

Improvements in other commands' aircraft MC rates are now showing the results of our logistics investments. Overall, MAC's mission capable rate is up 19 percent, with the C-130 showing a three percent improvement in mission capability, and the C-141 a 22 percent improvement. SAC has significantly increased its mission capability by 49 percent over a 5-year period, in no small measure due to spares; availability. B-52 mission capability is up 36 percent, while the KC-135 rate is up 15 percent. And TAC has more mission capable aircraft with better parts supply than ever before: The F-111 mission capable rate has increased 40 percent, the T-15 rate is up 31 percent, the F-16 rate is up 13 percent, and overall, the Tactical Air Command's mission capability is up 35 percent. These success stories are the direct result of across-the-board, balanced investments over a period of several years.

Reliability and maintainability

One of the most powerful ways to improve mission capability is to improve reliability and maintainability. The Air Force's R&M 200 program represents a corporate commitment to reduce the amount of logistics support necessary to keep our systems on line.

That's why, in addition to increasing the number of serviceable spare engines since fiscal year 1980 by some 379 percent, we're also improving their reliability. Ongoing or planned modifications developed since 1980 will almost double the amount of time between engine failures on many of our systems once these modifi-

cations are fully incorporated. For improved engines, we have increased Mean Time Between Failures (MTBF) from 639 hours in fiscal year 1980 to 1,160 hours in fiscal year 1986, an 82 percent increase. Again, good funding supported by the Administration and Congress gave us the wherewithal to develop, test, and incorporate these modifications. And again, the payback is already apparent—and not just in terms of spares and repair costs avoided, but also in terms of the number of aircraft available for combat.

We have also improved our strategic mission capabilities by modifications that make our systems more capable and more reliable. For example, we have modified 135 of our B-52 bomber fleet so they could each carry 12 air-launched cruise missiles (ALCM). Along with the ALCM modification, we have also modified the B-52 offensive avionics system to replace the majority of antiquated analog bombing and navigational systems with modern, digital, state-of-the-art, nuclear hardened equipment necessary to launch the ALCM. This capability, which has allowed the B-52 to come in first in recent bombing competitions, did not exist in 1980. All 1,715 ALCMs originally programmed for acquisition have been delivered.

In terms of mission capability, we also expect big returns from the \$1.4 billion avionics modernization program (AMP) for the F-111. This program includes replacement of inertial navigation, doppler radar, controls and displays, modification of the terrain following and attack radars, and deletion of the Auxiliary Flight Reference System Astro Compass. The AMP will modify 386 aircraft. The first FB-111 went into the Sacramento Air Logistics Center in September 1986, and was delivered to SAC in December. The last will be modified by end of CY 1993. All our ALCs are involved in this effort.

The AMP program will improve the combat reliability and maintainability of the aircraft by integrating current, off-the-shelf technology hardware into the system. This will increase interchangeability of components across various models of the shelf technology hardware into the system. This will increase interchangeability of components across various models of the aircraft, and help drive down support costs. The AMP will also help extend the planned life expectancy of the entire fleet of F-111s to the year 2010.

By the way, one of the reasons we're able to do the AMP program for \$1.4 billion, or only \$3.6 million per airplane, is that the Air Force is essentially the prime contractor for this effort. While we are contracting integration efforts from General Dynamics as well as Grumman, we're buying the components that fit into the AMP program directly from individual manufacturers. This new approach appears to be working well, and may well portend the way major modifications will be handled in the future.

Of course, we're not limiting our efforts for greater reliability and maintainability to major weapon systems. We're also attacking sub-systems, support equipment and individual components. And working closely with the major commands, we've already achieved some outstanding results. For example, we now have a standard Central Air Data Computer used on the A-7, C-5, C-141, F-4, and F-111; before, we had 19 configurations of this system alone.

Today, because of modern technology and improved reliability, we only need four configurations and a total POS/WRSK spares requirement of 187 (down from 872). A system which once has an MTBF of 200 hours is now somewhere between 1,200 and 2,000 hours. That accounts for a cost avoidance of \$43,651,500 worth of spares for the C-141 alone. And it's the money and manpower we use in sustaining engineering for component improvements, prototyping, testing, and modification that makes it happen.

CINCs' support

Since 1980, AFLC has made great progress toward being more responsive to the unified and specified CINCs' needs. In fact, we've developed ways to effectively translate the CINCs' operations plans in the form of wartime taskings into logistics support requirements for the individual weapon systems and bases tasked. Supporting them drives our allocation, and ultimately, our requirements.

To provide this kind of weapon system support, we have built a dedicated Logistics Operations Center (LOC) whose full time job is to analyze operational plans; and allocate our logistics resources for wartime support. To do this, we maintain a close liaison with the component commands, and participate in exercises and actual deployments.

In addition, new logistics management tools, like the Weapon System Management Information System (WSMIS) and the Requirements Data Bank (RDB), are beginning to provide wartime simulation assessments of sorties that can be flown. With these simulations, we can identify where the logistics shortfalls will be, and

ultimately, assess how well the CINCs' weapon systems can be supported. The bottom-line is that we'll know better what we need to do to support the CINCs.

In the area of prepositioning we've also made tremendous progress since 1980. For example, munitions prepositioned for Southwest Asia have increased from 6,700 to 34,671 short tons. That means we can save many C-141 aircraft sorties for other critical airlift requirements. In the Indian Ocean, near-term pre-positioning force ships store the following assets: MK-82 bombs (500 to 160 class); MK-84 bombs (2000 16 class); CBU-52 cluster bombs; CBU-58 cluster bombs; MK20 antitank bombs; and M117 bombs (750 lb. class). Ultimately, we're better able to support the security of this vital area, and do so in a more timely manner because of logistics actions.

Inventory management

To respond to asset visibility and accuracy shortfalls AFLC has initiated an aggressive program to improve the accountability for our \$23 billion on-the-shelf inventory with its Inventory Accuracy Improvement Plan. This program is exploiting new technology by modernizing our stock control and distribution system, installing bar-coding in several functions, and revamping many warehousing and inventory management practices. We're placing heavy emphasis on personal accountability—from the supplier, to the warehouseman, to transporter, and to the authorized user.

Pacer Learn is a program to develop standard training packages for all of AFLC's distribution people. New logistics management systems, particularly the Automated Warehouse System and the Closed-Loop Intransit Control System, promise higher levels of accuracy in the distribution process.

The Automated Warehouse System (AWS) is a \$75.3 million mechanized material handling system now being installed in the five ALCs. Using automated man-on-board vehicles, and intelligent remote terminals driven by a central process controller, this system provides integrated computerized control or warehouse operations, and asset locations at all times during physical material handling. AWS will improve accuracy by automating over 2 million square feet of storage space, and control 1.5 million stock numbers in 3 million locations.

Logistics Management System (LMS) modernization

The LMS Modernization program is one of AFLC's most significant and far-reaching initiatives ever, laying the foundation for readiness and sustainability in the years ahead. The overall objective is to modernize the functional logistics processes within AFLC by redirecting the focus to requirements based on weapon systems and their missions.

LMS modernization is actually an umbrella program for nine separate development efforts which address the four logistics core functions for requirements, acquisition, distribution, and maintenance—as well as other, closely integrated logistics disciplines. It will completely modernize AFLC's operations and provide on-line, integrated information to support timely decisions in such areas as requirements determination and budget control.

Each program is being managed as an individual effort, and is in a different stage of acquisition and development. All programs are on initial contract, with three multi-phased programs scheduled for follow-on contract awards over the next year and a half. Another key program, the Depot Maintenance Management Information System (DMMIS), is now in source selection, with a contract award expected in December 1987.

The nine LMS program are being developed as a system of modules, each of which is implemented when completed. Six have achieved Initial Operational Capability, and the three remaining programs are targeted to achieve the milestone in April 1987. Full Operational capability will first occur with the Weapon Systems Management Information System (WSMIS) later this year, with the other programs coming on line through 1994.

We're very pleased with the progress we've made bringing these programs into being. In fact, we're already seeing some operational payback. For example, WSMIS is being used today by unit commanders to determine logistics supportability ratings. Through the Stock Control and Distribution (SC&D) Program, the Mode Carrier Selection (MCS) and Shipment Planning and Address Labeling System (SPALS) are being used at two sites with excellent results. Production of Mission Capable (MICAP) and routine shipping documents is now reported to be faster by hours. And the Engineering Drawing Computer Assisted Retrieval System (EDCARS), which provides on-lines access to required drawings to permit bid set preparation in days rather than weeks, will be fully operational later this year. That will translate into a greater competitive procurement capability.

LMS Modernization is a program AFLC already looks upon as a significant achievement. What we've done already hasn't been easy, and what we have yet to do may require even greater effort. But it's a pleasure to report that the results so far have been extremely positive, and the work ahead shows equal promise. We're using all the tools of acquisition management—solid requirements definition, prototyping, standard architecture, new software techniques, ample testing, program baselines, competition, and continuous user involvement—to do this job right.

Maintenance facilities, equipment, and productivity

AFLC continues to work several programs to maintain and improve the facilities and equipment that constitute its organic industrial base. Major initiatives include reducing energy consumption, improving our capability to support embedded computer software, and fully exploiting new development in repair and manufacturing technology. In fiscal year 1986 we spent over \$23.2 million for maintenance, repair, and minor construction projects in our depot maintenance facilities, representing 1.1 percent of their value.

In fiscal year 1983 the Asset Capitalization Program (ACP) began to modernize and update the Air Force's Depot Maintenance Industrial Base. As a subdivision of the Depot Maintenance Service, Air Force Industrial Fund, it finances the acquisition of new industrial equipment; replacement of out-dated, non-reparable equipment; repair and modification of equipment development of Management Information Systems that cost more than \$100,000; minor construction projects less than \$200,00; and facility maintenance and repair.

In the first two years of program, more than half of each year's funding was used on equipment replacement to improve productivity. A portion of the ACP equipment program referred to as Maintenance Sponsored Technology (MST) coupled with a Repair Technology (REPTECH) program financed by appropriated funds by AFSC, has allowed the introduction of state-of-the-art technology into our depot operations. MST takes advantage of existing technology, while REPTECH is targeted on introducing new technology into the depots.

Logistics Improvement to Facilities/Technology (LIFT) is another program aimed at modernizing critical depot facilities to accomplish existing and future work loads. The fiscal year 1988 MILCON item for a Fuel Systems Accessories Test Facility at Kelly AFB is particularly important because it will permit us to accomplish new F100-200 engine fuel control work load, and reduce the hazardous environmental impacts. Other "most important" projects under LIFT include the fiscal year 1989 B-1B Facility to provide organic capability for repair and testing of B-1B avionics systems; and the fiscal year 1988 Advanced Composites Materials Facility, which will provide initial Air Force B-1B composite repair capability.

The projected benefits of the fiscal year 1988 and fiscal year 1989 LIFT facility MILCON program are significant, providing support for electronic warfare software and avionics reducing expensive interim contractor support for composites, and reducing environmental impacts for hazardous storage. Present value of annual savings are estimated at \$880 million, or eight times the total fiscal year 1988/89 project cost. Tables 1 and 2 break down the savings by project.

TABLE 1—FISCAL YEAR 1988 AFLC LIFT SAVINGS

	Present value of benefits	Present value of savings	One-time savings	Annual savings
Hill—Struct repair and maintainance facility.....	\$68,003,660	\$52,676,839	\$20,400,000	\$7,022,000
Kelly—Fuel system acct test facility.....	122,855,544	112,963,944	3,977,562	12,445,020
Newark—Add and alter sound, force VIB lab.....	2,527,383	2,384,844	105,350	262,677
Tinker—Advance comprehensive repair facility.....	21,920,629	11,089,801	13,105,243	1,478,246
Total.....	215,307,216	179,115,428	37,588,155	21,207,943

TABLE 2—FISCAL YEAR 1989 AFLC LIFT SAVINGS

	Present value of benefits	Present value of savings	One-time savings	Annual savings
Robins—ACFT CORR CON facility.....	\$93,261,866	\$93,261,866	NA	\$10,275,000
Tinker—B-1B avionics facility.....	536,056,363	536,056,363	NA	71,455,127

TABLE 2—FISCAL YEAR 1989 AFLC LIFT SAVINGS—Continued

	Present value of benefits	Present value of savings	One-time savings	Annual savings
Hill—ADAL metal processing shop	10,934,000	10,934,000	NA	1,957,000
Hill—NDI	32,800,000	32,732,187	\$75,180	3,606,042
San Antonio—Depot warehouse	29,468,737	24,830,714	4,869,628	3,310,016
Robins—Engine test facility	29,764,270	29,764,270	NA	3,279,088
San Antonio—HAZ storage facility	3,456,565	483,799	2,427,216	52,811
Total	735,741,801	728,063,199	7,372,024	93,935,084

We have been successful in having our ALCs share productivity initiatives, as well as in documenting the savings realized. The maintenance productivity offices at the five ALCs and the Aerospace Guidance and Metrology Center have reported through PACER IMPACT program budget savings or cost avoidance savings of \$246.2 million for fiscal year 1986. This far exceeds the Command goal of \$192.2 million.

The Quality of Life program, which is part of the productivity effort, actively focuses on improving things for our people. In fact, during fiscal year 1986, the DCS/Maintenance spent \$3.8 million on quality of life. We've found that such expenditures instill pride in the work force, and that increases morale, decreases grievances and sick leave, and increases communication and productivity.

In terms of maintenance production, per se, fiscal year 1986 was an excellent year. Actual production for aircraft, engines and modules was 11,702 units, including 1,952 aircraft and 9,750 engines/modules. This figure represents over 91 percent of the customer negotiated requirement. Total exchangeable production was 1,896,025 units. Major accomplishments for fiscal year 1986 include the electrostatic painting process, C-5A sideskin replacement, and the FB-111 AMP kit proofing. We also added work loads such as the B52 Pave Mint, the F-16 Box Beam Modification, and interservice work loads, including Navy C-130s at Warner Robins ALC.

Competition advocacy

AFLC has turned the corner on improving the acquisition process. Since the establishment of the Competition Advocacy program, the value of the efforts has been confirmed. For example, over a two-year period (fiscal year 1985-86), our competition rate increased from 24.6 percent to 41.3 percent of the dollars obligated. Additionally, the value of competitively awarded contracts increased \$1.5 billion, and the considerable savings we realized were "reinvested" to acquire new systems, and to improve readiness and sustainability of our operational forces. The Competition Advocacy Program fulfilled its charter, and much more. We're now institutionalizing the lessons we've learned and turning these success stories into permanent ways of doing business.

CONCERNS

As I said earlier, the Air Force and AFLC are in good shape, and things are better now than ever before. However, there's one thing that I'd like to reiterate, and that's that it takes a lot of time and money to correct mistakes in the logistics business once they're made. The fact that we're only now benefiting from some of the efforts started back in the early 1980s gives testament to this claim. A logistics miscalculation today is tantamount to a readiness and sustainability program tomorrow—one which will take considerable time to redress in the future, no matter how much money we're willing to spend to fix it.

That's why I do have some concerns for the future—concerns which I believe ultimately could hurt our ability to fly and fight. I'd like to briefly touch on these now.

Centralization of military functions

There's continuing effort to centralize the management of certain military functions ostensibly to improve economy and efficiency. Last year, Senate Bill 2624 proposed consolidation and administration of depot level maintenance, wholesale depot facilities, base support operations, as well as the unification of traffic management. Had this bill become law, I believe the impact on AFLC's maintenance, distribution and civil engineering functions would have been both negative and significant.

Effective military operations depend on military commanders having control over organizations and resources necessary to fight a war—and of all the organizations and resources necessary for the Air Force to fight a war, AFLC and logistics support are at the top of the list. Adding another layer of bureaucracy to control AFLC's depots along with all other DOD depot repair facilities could effectively divorce those charged with fighting the war from the wherewithal to do it. It could also take away from senior military leaders many of the critical decisions regarding funding, workload, and modernization that they have to be able to make. Instead, it could gear these concerns to cost-oriented, "managerial techniques" of some super bureaucracy, not the fighting needs of the military.

Additionally, I believe the argument that centralized control and consolidation of depot maintenance would yield greater economy and efficiency is flawed. It would cost a great deal of money and time for conversion, and would result in a far less responsive system. And it would no doubt eliminate the redundancies we'd need to fight and win a war. Logistics must be geared to supporting wartime, not peacetime operations; and given the leadtimes inherent in the logistics process, we should not organize for peace and hope war doesn't come.

We must continue centralized policy and strategy formulation—that's the whole concept of military command and control. But we must guard against the temptation to centralize the execution of military functions, particularly depot maintenance functions. In time of war, the kinds of bureaucracy that result are too often unresponsive and ineffective. Those who would compare AFLC with a department store chain or an automotive manufacturer do so, I believe, without fully understanding either of them—or us.

Acquisition impediments

I believe we have an urgent need in this country to streamline the defense acquisition process. The President's Blue Ribbon Commission on Defense Management has given us many recommendations to help us do just that—recommendations which would centralize policy and strategy, while fully decentralizing the authority to execute approved programs. We believe in that approach, and we're working hard to implement these recommendations, along with those mandated recently by the Department of Defense Reorganization Act of 1986.

My concern here stems from the reality that current efforts to change the way we procure goods and services are not significantly impeding the process itself. The major impact of the flood of acquisition legislation seems to fall into four areas: conflicting legislation, acquisition turbulence, complexity, and increased lead times.

Conflicting legislation arises when detailed requirements are specified without a clear agenda. For example, Congress deleted \$28 million from the fiscal year 1987 appropriation—money needed to fill new fuel tanks to provide War Readiness Materiel (WRM) fuel. Most of these tanks, however, were built with NATO infrastructure funds at US insistence to solve longstanding issues directly affecting combat capability. This is the kind of action that impacts both readiness and allied support—we've already invested money, and now we must withdraw support, revise our directions, and lose credibility in the NATO community.

Acquisition turbulence is created by the sheer volume of new legislation. Each new law must be translated into policies and procedures before anything happens. But the policy implementation process cannot keep up with the rate of change. The average Federal Acquisition Regulation case takes many months from inception to final publication. That means that each year, Congress puts a large amount of change into a policy process that has not caught up from the changes in the prior year. Furthermore, training our people lags even further behind because it must await the output of the policy process. And after implementation, we often learn about further changes and interpretations that are needed in the field.

Complexity is also increasing throughout the acquisition process. Perhaps the best indication is that even our simplest purchases under \$25,000 have become complex and time-consuming because of congressionally mandated requirements regarding such things as displaying solicitation packages, and small business and socio-economic provisions and referrals to outside agencies. All of this takes time, paper, money, and ingenuity to deal with when we're trying desperately to buy what the Air Force needs on time, and at the best possible price.

The end result of all this is that it takes longer to get a contract, and it requires more effort. Both of these impact our readiness and sustainability posture. In AFLC, the average administrative lead time for contracting has more than doubled over the last three years. Consequently, we need more capital investment for spares to fill the pipeline, and we need more people working in the contracting offices. Also, as lead time increases, our capability to respond in the contracting environment is

substantially less, our predictive time frame gets larger, and our predictions become less precise.

For example, consider that today it takes an average of about 250 days to get a dollar on contract in AFLC. This leaves only 115 days in a year to make all the hard decisions about what to buy, how much to buy, etc. So if anything slips, if the budget is late, or if any of a hundred other things goes wrong, those funds are not obligated in the first year of availability.

The bottom-line is that in recent years, in part because of new legislation, and in part because of the increased scrutiny of proposed prices by both the Air Force and contractors, AFLC has found it harder to spend its money. We truly have been finding ourselves between "a rock and a hard place." We have identified the specific pieces of legislation, and are advocating corrective measures through appropriate channels.

We're also pursuing a program execution strategy to deal with the conflicting priorities received by the ALCs concerning readiness and problems with first-year initiations, commitments, and obligations, prior year close-out, and competition. We have initiated funding execution reviews of the entire spares acquisition process for all of AFLC's financial programs. This has improved our up-front planning which will, in turn, improve obligation rates. In fact, some improvements have already been realized in fiscal year 1986.

LMS Modernization Program funding

We greatly appreciate prior Congressional support in funding the requirements of the LMS Modernization programs. As I mentioned earlier, the LMS Modernization program has placed maximum emphasis on doing our logistics job better so we can produce the best possible level of support for the Air Force from the taxpayers' dollars. Each of the separate projects contributes to this objective through tangible improvements in the underlying logistics functional area.

Although these programs are being managed as separate entities, the overall improvement to logistics support, and the resulting combat capability of the Air Force, will be directly determined by the performance of all systems working in total concert. This reality has been and will continue to be a concern. Simply stated, to achieve the required benefit of this modernization effort, we must continue to fund all of the programs as currently scheduled. We must hold the course we've laid out even as we encounter more successes, along with the bumps in the road that are, perhaps, inevitable.

Civilian end-strength controls

Our primary mission in AFLC is to ensure the Air Force's weapon systems can do the wartime mission. That's why the structure of resources and capabilities we use in peacetime must be designed primarily to meet the wartime mission. And that's why we establish our critical mass manning based on these wartime requirements. We must develop and maintain the necessary industrial base of personnel, skills, equipment and facilities to meet the wartime requirement. AFLC manpower is not only a function of core logistics and customer funding levels, it's also a function of mission support requirements.

AFLC has effectively managed its civilian work force without end-strength ceilings since fiscal year 1983 for the Depot Maintenance Industrial Fund and since fiscal year 1985 for Operations and Maintenance. Prior to this time, manning targets were set which disregarded the AFLC mission. They resulted in large numbers of employees being released just prior to 30 September in order to meet arbitrary fiscal year end-strength targets—no matter what the mission requirements happened to be at the time.

I am concerned that there are those in Congress who favor mandating "not-to-exceed" numbers for AFLC. We have shown that the best way to manage our people is by the work we have to get done, not by what day it is on the calendar. AFLC needs the flexibility to deal with dynamic mission requirements, as well as unforeseen emergencies. Furthermore, the administrative costs and personal turbulence associated with meeting artificial end-strengths are significant, impacting our part-time, temporary and on-call employees the most. They, of course, represent not only a very cost-effective work force, but also a strategically important pool of highly skilled people.

I am pleased that Congress has extended the ceiling free-end strength policy for fiscal year 1987. I trust that we'll continue to be allowed to manage our civilian work force through sound and proven financial methods.

Depot surge capability

AFLC's organic depot maintenance complex is one of the major industrial activities of the United States, providing repair, overhaul, and modification of aircraft, missiles, engines, exchangeables and other end items in support of operational commands around the globe. Since this capability is critical to the Air Force's wartime mission, depot maintenance repair assignments and capabilities must be established and maintained with that wartime mission, not peacetime operations, as the prime criteria.

The establishment of a formal depot maintenance posture planning process, coupled with support from our contractors and the Army and Navy, provides AFLC with a vehicle to do just that—to best use its total resources to support the wartime mission. It is the process where peacetime resources and work loads are balanced to meet wartime work load requirements. And it is the process which is responsible, in large part, for the improvements we've seen in AFLC depot maintenance over the last three years.

My concern is that possible legislative reductions would require AFLC to deal with depot maintenance requirements with less money and fewer resources. Reductions in programmed monies and manpower, while separately not insurmountable, together could degrade the very balances our posture planning process have so successfully established. This would inevitably erode depot maintenance capacity/capability to support the Air Force's wartime mission, and retard our modernization and productivity efforts as well.

Morale, welfare, and recreation

Morale, Welfare and Recreation (MWR) activities are not just something nice to have—they're vital links to insuring the continued readiness of our military forces. Quality of life translates into recruitment, retention, and job satisfaction—which translates into a skilled, more stable, more productive workforce. That's why I'm so concerned about the recent mandate to reduce appropriated fund support to MWR revenue-generators this fiscal year, and to totally eliminate the support to those activities beginning in fiscal year 1988.

Public Law 99-500, which cost AFLC \$2 million this year, will cost us \$8 million in fiscal year 1988. We will have to shift and increase appropriated fund support to those MWR activities still authorized such funding if we're to avoid adverse impact on the scope and quality of our total MWR programs. Additional costs will also be passed directly to our military members, making participation in MWR programs increasingly costly. The people most impacted by this are the young enlisted men and women who comprise the majority of the Air Force, and the majority of MWR users.

I believe the bottom-line is that esprit de corps, morale, and the readiness of our military forces are on the line here.

MILCON programs

Over 40 percent of AFLC building space was constructed during or prior to World War II. Many of the buildings are wood construction and are in need of replacement. While completion of projects already approved by Congress will allow disposal of nearly 4 million square feet of old warehouse buildings, continued emphasis on new construction is needed over the next decade as World War II buildings approach 50 years of age. Replacement of buildings at approximately 50 years of age is consistent with Air Force and OSD goals to invest two percent of inventory replacement costs on new facilities.

TABLE 3—AFLC Military Construction Program line item listing for fiscal year 1988

<i>Base and title</i>	<i>Cost (thousands)</i>
Hill—Avionics integration support facility	\$12,500
Hill—Structural repair and maintenance facility	27,000
Kelly—Fuel systems accessories test facility	10,900
Kelly—Jet fuel storage	2,750
Kirtland—Munitions storage complex	54,000
McClellan—Sound suppressor support	1,400
McClellan—Alter electric distribution system	3,600
Newark—Add/alter sound force and vibration lab	580
Tinker—Advanced composite repair facility	9,200
WPAFB—Logistical systems operations center	15,500

<i>Base and title</i>	<i>Cost (thousands)</i>
WPAFB—Add/alter electrical substation	3,800
Total for 1988.....	141,230

The fiscal year 1988 Military Construction Program includes 11 AFLC line items estimated at \$141 million (See table 3). This is a tough, no-nonsense program where budgetary constraints have forced deferral of all but the most critical projects. In fact, this program does not contain any Quality of Life projects, as important as they are. The need to acquire modern depot maintenance and data processing facilities, reliable utility systems, and a secure and efficient munitions storage complex are the driving factors. Deferral of any of these projects will have a major impact on AFLC's mission capability.

The program includes two projects deferred by Congress from prior programs. The Kirtland AFB Munitions Storage Complex (\$54 million) was included in the fiscal year 1986 MILCON Authorization Bill, but was deleted from the Appropriations Bill. While high priced, it is the most economic of numerous alternatives to provide the degree of security required for the munitions stored here. Manpower savings allows us to recoup all costs in less than four years.

The Kelly AFB Fuel Accessories Test Facility was deferred from the fiscal year 1987 MILCON Authorization Bill following joint conference action. It had been supported by the HASC, but not by the SASC. We strongly request your support for this project in the fiscal year 1988 program. This is a unique facility tailored to the singular function of testing fuel control systems and components of the most sophisticated engines, such as the Pratt & Whitney F100-200. Current facilities and equipment have proven inefficient and sometimes inadequate, resulting in the frequent need for retesting.

TABLE 4—AFLC Military Construction Program line item listing for fiscal year 1989

<i>Base and title</i>	<i>Cost (thousands)</i>
Hill—Nondestructive inspection facility.....	\$2,000
Hill—Add/alter metal processing shop.....	1,650
Hill—Combat logistics support facility	3,500
Kelly—Corrosion control facility.....	9,000
Kelly—Add to hazardous material storage facility	3,550
Kelly—Depot warehouse.....	20,000
McClellan—Engine maintenance facility	8,451
McClellan—Fire sprinkler systems.....	2,400
McClellan—Vehicle refueling station	880
Robins—Occupational health clinic.....	3,600
Robins—Aircraft corrosion control facility	11,200
Robins—Add/alter engineering test facility	7,000
Robins—Add/alter weapon systems support center.....	10,200
Tinker—Consolidated fuel control test facility.....	25,318
Tinker—B-1B avionics facility/land acquisition.....	11,600
Tinker—Security police operations facility.....	1,300
Tinker—Jet fuel storage	4,400
WPAFB—Add/alter headquarters command post.....	1,600
Total for fiscal year 1989.....	128,249

The fiscal year 1989 MCP includes 18 AFLC line items estimated to cost \$128 million (See table 4). This is also a strong, operationally oriented program with 11 of the 18 projects (\$106 million) proposed to satisfy depot maintenance or storage requirements.

Beyond fiscal year 1989, we see a need for new dormitories for two bases, and a dormitory upgrade at one base; management facilities at some bases to replace leased or temporary modular facilities; several new warehouses to replace World War II wood buildings; more replacement facilities for base support activities such as base civil engineer shops and vehicle maintenance facilities; and some new recreational facilities for our people.

SPECIFIC IMPACTS IN FISCAL YEAR 1988-89 PROGRAMMED FUNDING

As requested, I am providing some information on FYDP programs with an emphasis on fiscal year 1988-89 budgetary impact.

Air Force Stock Fund

The Air Force Stock Fund (Systems Support Division/General Support Division) is a critical element in supplying combat logistics support. It is a self-supporting, revolving fund reimbursed with O&M funds so that it requires little annual appropriation to support current operations.

We do, however, ask for appropriations for two specific purposes. First, we must augment the revolving stock fund inventory to support new or modified weapons systems entering the inventory. These new piece parts are vital to the day-to-day operation of newly acquired weapon systems. Second, we must also invest in WRM assets in order to sustain wartime operations.

Our fiscal year 1988 request increases from the fiscal year 1987 appropriation primarily to support the introduction of additional weapon systems. The B-1B, C-5B, F-15E, and the F-16C drive much of that increase. In addition, the fiscal year 1987 congressional action did not fund the Stock Fund WRM requirement. The steady progress previously made in meeting both prepositioned and defense guidance goals will be reversed if Stock Fund requirements are not better supported. A balance must be maintained between inventory augmentation and WRM for us to fully achieve readiness and sustainability objectives.

Aircraft modifications

With reduced funding in fiscal year 1988-89, we will continue to make the most efficient use of available resources to modify and improve in-service aircraft. At this time, fiscal year 1988 financial constraints only allow us to start safety related modifications and programs to improve capabilities for the Special Operations Forces. Essentially, all other new programs have been deferred. In addition, second year procurements on many fiscal year 1987 new starts had to be reduced or deleted entirely, creating disconnects in the outyears.

Reduced funding means we will have to delay and stretch out many cost saving reliability and maintainability improvements. We will also get a later start on several important Class V modification efforts, including the upgrade of EC-135 and E-4B command post aircraft already equipped with MILSTAR capability, to allow dissemination of command messages in a more jam resistant mode.

Continued congressional support for the Air Force Modification Program is necessary to sustain our readiness to meet evolving threats by providing new capabilities to aging weapon systems, and extending their service life. In addition, we will continue to invest modification dollars to make Air Force weapon systems more reliable, maintainable, and supportable.

Depot Purchase Equipment Maintenance Program

The Depot Purchase Equipment Maintenance program (DFEM) funds depot level maintenance, including repair and overhaul of complete aircraft, missiles, engines, major equipment end items, and repair of spare assemblies. It also augments organizational and intermediate level repair when appropriate.

AFLC spares requirements computations assume all repair actions will be satisfied, since it costs us approximately one-seventh as much to repair an item opposed to buying a new one. Also, the lead-times are much shorter for repair. That's why underfunding replenishment spares leads to inefficiencies due to increased WRSK withdrawals and cannibalizations. And severe underfunding has a direct impact on Air Force readiness.

Substantial O&M funding adjustments have been made since publication of the Air Force Report to Congress. Depot maintenance funding has been increased by \$88 million in fiscal year 1988 and \$52 million in fiscal year 1989. The Air Force currently anticipates backlogs to reach \$150 million in fiscal year 1988, a lower figure than actually experienced in fiscal year 1984 (\$178 million), and lower than we expect in fiscal year 1987 (\$205 million). It is also a greatly improved position over the fiscal year 1987 budget when our backlog forecast for fiscal year 1988 was \$360 million.

Aircraft replenishment spares

The fiscal year 1988-89 aircraft replenishment spares funding requests for \$2,402.9 million and \$2,542.4 million, respectively, reflect the cumulative effects of reduced appropriations in fiscal year 1987 and fiscal guidance in fiscal year 1988. Overall, the replenishment spares account is funded at 52 percent and 45 percent of the total fiscal year 1988-89 requirement, respectively. The fiscal year 1988-89 request will fully fund POS, and partially fund WRSK/BLSS requirements.

The fiscal year 1988-89 POS request for \$2,109.4 million/\$2,276.5 million continues to recognize POS as our highest spares priority by again supporting 100 percent

of this vital requirement. The fiscal year 1988-89 WRSK/BLSS budget request of \$293.5 million and \$265.9 million funds 17 percent and 11 percent of our WRSK/BLSS requirement, respectively. In fiscal year 1988, all new WRSK/BLSS kits authorized for fiscal year 1990 deliveries of F-15, F-16, KC-135R, and MC-130 aircraft are funded. Our fiscal year 1989 request supports additional fiscal year 1991 deliveries of these same aircraft. Remaining dollars support requirements for strategic, mobility, and tactical kit upgrades.

Despite the reduced WRSK/BLSS and OWRM funding in recent years due to tight fiscal guidance, strategic airlift capability remains high, a product of priority funding in recognition of the importance of the airlift mission to the nation's war-fighting capability. Tactical capability, however, will diminish somewhat from the peak in fiscal year 1987 that resulted from 100 percent funding in fiscal year 1985.

CONCLUSION

Overall, we are very pleased with the current logistics status of the Air Force. Also, because of the support received from the administration and Congress in recent years, and our consequent ability to do the things we need to do to continue playing effectively in the logistics arena, we're optimistic regarding our near-term support capability, and cautiously optimistic about the longer-term. However, I have mentioned certain concerns which, if not addressed, could undermine much of what, working together, we have all accomplished—and set us up for another costly and time-consuming "catch-up" effort years down the road.

I appreciate your invitation to testify before this subcommittee. I thank you for your past support and the gains in logistics support we've been able to realize as a result—and I ask for your continued support to ensure the readiness and sustainability of the Air Force's war fighting capability.

Senator DIXON. Thank you, General O'Loughlin. We appreciate that. Lt. Gen. Peter Burbules.

STATEMENT OF LT. GEN. PETER G. BURBULES, DEPUTY COMMANDER GENERAL FOR MATERIEL READINESS, ARMY MATERIEL COMMAND

General BURBULES. Mr. Chairman, distinguished members of the committee. I appear before this committee on behalf of the Army Materiel Command. I appreciate this opportunity to discuss with you the vital issues of readiness and sustainability.

As you mentioned, I have submitted a formal statement for the record, which I would like to summarize briefly, if I may.

As you have requested, my prepared testimony addresses the current ability of the Army Materiel Command to meet the peacetime and wartime logistics requirements, achievements and areas of concern, with particular emphasis on supply support, stock fund, depot maintenance and procurement of spares, and the fiscal year 1988-89 budget request, to include plant modernization and military construction. It concludes with remarks pertaining to the 5-year defense program.

In this decade, the Armed Forces have been most fortunate in receiving fiscal support to modernize our forces to meet national objectives.

We now pass the midpoint of the largest force modernization effort in the past 40 years. Our fighting capability has increased. The Abrams tank, the Bradley fighting vehicle, the Patriot missile system, and the Apache attack helicopter, to name just a few, have added substantial combat power to our Army. While we are mindful that the fighting force needs this latest equipment, ammunition and technology, we have not lost sight of the significant role that readiness and sustainability of equipment plays in support of the soldier's fighting capability.

The challenges confronting the Army Materiel Command as we support force modernization, while maintaining readiness of existing hardware in the active and reserve units, are significant, yet, like the Air Force, our readiness posture has never been better.

Major combat equipment serviceability rates that were at or near the Army goal of 90 percent in the early 1980s, have risen 2 to 4 percent, to meet and exceed the goals. We have been able to do this because of your support, and the dedication of our soldiers and Department of the Army civilians located at 10 major subordinate commands, 28 ammunition plants, 3 arsenals, 7 laboratories, 12 primary depots and 5 depot activities on 65 installations throughout the United States and overseas.

But much remains to be done, especially in our efforts to sustain the peacetime force and prepare for mobilization contingencies. AMC continues to successfully pursue the President's productivity goals, to offset some of the resource shortfalls, but a continuing flow of funding, adequate to do the job is a must to provide the readiness support that our soldiers deserve.

I would like to highlight for you some significant achievements, as well as some problems in readiness and sustainability.

We have improved inventory control and reduced worldwide order-ship time for replenishment spares and repair parts. Eighty-five percent of the time, when we get a requisition, we satisfy the requirement to our 67,000 customers. Our area oriented depot modernization program will provide state of the art supply and distribution facilities, will increase productivity by at least 20 percent, and have a payback of investment in 4 to 6 years.

In fiscal year 1982 we set goals for reducing our substantial ammunition maintenance backlog to a manageable level, in both minor and major maintenance, and we are now supporting a workload program that equates essentially to annual generations.

In the area of production surveillance, AMC achieved a 90 percent on-time delivery for all contracts. This is an improvement of 18.8 percent since the first quarter of 1985.

Our depot maintenance system provided over \$4 billion in overhauled material to Army inventories in fiscal year 1985 at about 20 percent of what it would cost to buy that equipment new.

Expenditures have been made in recent years that have increased efficiencies of facilities within the industrial base. Most notable of these are the modernization of Watervliet Arsenal, and the beginning of the modernization program, as you know sir, at Rock Island Arsenal. These projects will increase our capability to provide peacetime support to the soldier, and enhance our capability to meet surge and mobilization requirements.

Buying smart is one of AMC's major thrusts. In fact, we have made significant improvements in our buying practices, particularly in the area of spare parts. These include increasing the number of competitive procurements, challenging contractor's claims of proprietary data rights, breakout of spares buys from prime contractors to the actual manufacturer, development of competitive technical data packages, and establishment of a reverse engineering pilot program.

Our capabilities to support full mobilization requirements are constrained by facilities and production bases. The current indus-

trial base is inadequate to support mobilization requirements. To satisfy ammunition mobilization deficiencies alone, the cost of new facilities and preventive and remedial maintenance through fiscal year 1989 is estimated to be \$31.8 billion over the fiscal year 1988/89 budgeted peacetime modernization.

A buy-out of the shortfall in the present authorized acquisition objective, to provide a munitions inventory to supply combat forces until the active and laid away industrial base can produce at sustaining rates, would require an additional \$44 billion.

MCA funded facilities in many cases are adequate to meet current peacetime requirements, only through the use of overtime, or second and third shifts due to manual processes, which must be used in many older facilities. In many cases, installation of high productivity equipment, automation, or improved methods and practices are prohibited by physical limitations of facilities. The problems are compounded by utility systems which are at capacity, or have deteriorated due to age. In most cases, expansion of production to mobilization levels is simply beyond facility capabilities.

The administrative leadtime, or time taken to acquire spare parts and equipment is an area of concern. ALT, Administrative Lead Time, has increased almost two-fold since 1984. This growth can be attributed partially to our oversight management initiatives, and significant too, is the impact on ALT of procurement reform laws. More than 30 days have been added to the procurement process which are directly attributed to new laws.

The added cost of this leadtime growth is estimated to cost over \$10 million per day for the associated materiel required to maintain the longer logistics pipeline.

The fiscal year 1988/89 Defense authorization before you requires favorable consideration in order for us to sustain the logistical support base that has been under development these past few years.

For example, we will be able to continue to achieve our objective of 85 percent stock availability if our requests for spares, that is \$1.8 billion in fiscal year 1988 and \$1.9 billion in fiscal year 1989, and stock fund, that is \$2 billion in 1988, and \$2.1 billion in 1989, are approved. Requested funds in fiscal year 1988 and 1989 will also improve the war reserve posture.

Our unfunded depot maintenance backlog will reach \$391 million in fiscal year 1988, and \$519 million in fiscal year 1989. At the proposed fundings levels for fiscal year 1988 and 1989, secondary item overhaul programs, that is engines and transmissions, remain top priority and are funded at the expense of end item overhaul programs, for example, M113s, M60 tanks, UH-1s and AH-1S helicopters.

The fiscal year 1988/89 budget also includes \$180 million for new or expanded capacity of the industrial base, which, like the plant modernization effort, is adequate to support peacetime requirements, but does little to reduce mobilization deficiencies.

In summary, much remains to be done. Readiness has improved, but the continued strong support of Congress is essential if we are to maintain the momentum of our progress.

AMC's ability to maintain peacetime readiness at DA goals, and to sustain our forces in wartime is directly related to adequate

funding and support or depot maintenance, ammunition and spares procurement, and industrial base modernization, expansion and maintenance. Readiness and sustainability are also dependent upon having sufficient numbers of skilled logistics personnel within AMC. Extraordinary efforts, intensive management, and productivity enhancements can delay the day of reckoning resulting from under-funded operations and maintenance accounts.

At some future time, however, densities of old and new equipment will rise to such a point, that our logistics organizations, systems and declining numbers of support personnel will become saturated, and readiness will decrease.

I solicit your continued support to ensure adequacy of operations and maintenance accounts that will provide a level of readiness that our soldiers deserve.

Thank you sir.

[The prepared statement of General Burbules follows:]

PREPARED STATEMENT OF LT. GEN. PETER G. BURBULES, DEPUTY COMMANDING
GENERAL FOR MATERIEL READINESS, ARMY MATERIEL COMMAND

Mr. Chairman, distinguished members of the committee, I appear before this subcommittee, on behalf of the Army Materiel Command (AMC), to discuss the vital issues of readiness, sustainability and support. As you requested, I will address the current ability of the AMC to meet peacetime and wartime logistics requirements. I will then discuss achievements and areas of concern, with particular emphasis on supply support, stock fund, depot maintenance, and procurement of spares. I will then address the fiscal year 1988-89 budget request to include plant modernization and military construction. I will conclude with remarks pertaining to the five-year defense program.

In this decade the Armed Forces have been most fortunate in receiving fiscal support to modernize our forces to meet national objectives. We now pass the midpoint of the largest force modernization effort in the past 40 years. Our fighting capability has increased. The Abrams tank, the Bradley fighting vehicle, the Patriot missile system, and the Apache attack helicopter, to name just a few, have added substantial combat power to the Army. While we are mindful that the fighting force needs this latest equipment, ammunition and technology, we have not lost sight of the significant role that readiness of equipment in the hands of the soldier and its sustainability, play in support of the soldier's fighting capability.

The challenges confronting the AMC as we support force modernization while maintaining readiness of existing hardware in the Active and Reserve units are significant, yet our readiness posture has never been better. Major combat equipment serviceability rates that were at or near the Army goal of 90 percent in the early 1980's have in most cases risen 2-4 percent to currently meet or exceed that goal. We have been able to do this because of your support and the dedication of our soldiers and Department of Army civilians located at 10 major subordinate commands, 28 ammunition plants, 3 arsenals, 7 laboratories, 12 primary depots and 5 depot activities on 65 installations throughout the United States. AMC's presence is also reflected overseas with technical, supply and maintenance support, and research development and standardization groups positioned to sustain the readiness of our Army units. But much remains to be done, especially in our efforts to sustain the peacetime force and prepare for mobilization contingencies. Budget cuts will stretch our procurement and production programs and, of necessity, old systems which will be displaced will remain in the field longer than desired. This will increase requirements for procurement, storage and distribution of repair parts and overhaul of components and end items. The influx of new weapons systems and retention and redistribution of existing systems will tax the ability of the AMC and the entire Army to sustain readiness.

We have developed a number of AMC initiatives to improve our support to the soldier, and to improve readiness of Army materiel. Significantly, the command continues to successfully pursue the President's productivity goals to offset some of the resource shortfalls, but a continuing flow of funding adequate to do the job is a "must" to provide the readiness support that our soldiers deserve.

CURRENT ABILITY TO MEET PEACETIME AND WARTIME REQUIREMENTS

With few exceptions, we have reached and are sustaining mission capable rates above the DA goal of 90 percent. We can continue, provided we receive the funded levels we asked for in the fiscal year 1988-89 budget request. Our capabilities to support full mobilization wartime requirements are constrained by facilitization of production bases.

In the area of supply and maintenance, we have made a great deal of progress in support of peacetime readiness and wartime sustainability objectives through automation and positive efforts to provide a rapid, economical response to the soldiers we serve.

In the management of our spares and repair parts programs, we are taking significant and innovative steps, such as structuring management by weapon system, to ensure that procurement programs are fully responsive to support of special weapon systems. We consider this the keystone in sustaining a high readiness support posture to our fielded equipment. We have improved inventory control and are now able to process requisitions in 1.3 days (versus 4.5 days in fiscal year 1981). Beyond this, we have reduced worldwide order-ship time for those items. Eighty-five percent of the time we provide to our 67,000 customers the items they request within the time frames they stipulate.

Major systems now are fielded through a process called total package/unit materiel fielding (TP/UMF) which provides a complete, operationally ready and logistically supportable system to our soldiers down to the company level. We not only provide the weapon system, but also the repair parts, tools, manuals, and training, which permits our soldiers to concentrate on their readiness mission.

We have developed a depot maintenance posture plan to allow us to transition our depot maintenance facilities to maximum production under mobilization conditions. In addition, we have initiated the Area Oriented Depot Modernization Program that will provide the Army with an economical and efficient wholesale supply distribution system with state of art facilities in peacetime that is capable of surging to meet contingencies and full mobilization well into the next century. We have also undertaken a long-term program to modernize our depot maintenance facilities.

Limited war reserve stocks of materiel have been acquired and positioned to support increased wartime requirements until resupply can be accomplished, to include providing materiel in support of Southwest Asia contingencies. (Additional information is classified.) We have also successfully tested and adopted a standard package to provide supply support for combat sustainment of expeditionary forces of less than a division size in an immature theater of operations.

In yet another AMC responsibility, we serve as the DOD single manager for conventional ammunition (SMCA). We procure and produce, receive, store, issue, inspect, maintain and dispose of conventional munitions for all DOD military services. The Army and all of DOD receive benefits from the resulting economies of scale in procurement, production, inventory management, and long-term integrated planning of ammunition procurement and maintenance. The SMCA will oversee an approximately \$5 billion program (procurement of ammunition by all services, base support, and operations and maintenance Army) in each of fiscal year's 1988 and 1989. Our overall track record is impressive. Cost avoidances since assignment of the SMCA mission total some \$2 billion.

From a management aspect, we have also made progress in satisfying the DOD requirement for a standard DOD wide automated ammunition data system. This system, entitled the defense standard ammunition computer system (DSACS) is scheduled to become operational in fiscal year 1988 and will be employed to manage all SMCA-assigned items. It will also provide direct interface with the military services retail level ammunition management systems thereby providing worldwide asset visibility as well as acquisition and financial data.

With respect to readiness, we have seen the overall Integrated Conventional Ammunition Hardware Acquisition Program, (funded by all the military services) grow from a level of approximately \$2.8 billion of procurement monies in fiscal year 1982 to over \$4 billion by fiscal year 1986. Beginning in fiscal year 1987 and continuing through fiscal year 1989, the level of DOD ammunition procurement has decreased to \$3 billion. We have done well in the ammunition maintenance arena. In fiscal year 1982, we set goals for reducing a substantial workload backlog to a manageable level in both minor (P7S) and major maintenance (P7M) and are now supporting a workload program which equates to the annual generations.

The Army Materiel Command has the industrial base capability to adequately support peacetime requirements. In the area of production surveillance, AMC achieved a 90 percent on-time delivery for all contracts. This is an improvement of

18.8 percent since the first quarter of fiscal year 1985. Our current focus is to find the root cause for late deliveries, fix those problems and shoot for 100 percent ontime delivery. This translates directly to improved readiness.

The industrial base is, at present, inadequate to support mobilization requirements within a reasonable period of time. To satisfy ammunition mobilization deficiencies, alone, the cost of new facilities and preventive and remedial maintenance through fiscal year 1989 is estimated to be \$31.8 billion over the fiscal year 1988-89 budgeted peacetime modernization. When the new facilities for new items required from fiscal year 1990 through the end of the century are considered, an additional \$23.3 billion is needed; or a total of \$55.1 billion in facilities above those currently available or in the budget.

A "buy out" of the shortfall in the present authorized acquisition objective, to provide a munitions inventory to supply combat forces until the active and laid-away industrial base can produce at sustaining rates, would require an additional \$44 billion.

MCA funded facilities in many cases are adequate to meet current peacetime requirements only through use of overtime, or second and third shifts due to manual processes which must be used in many older facilities. In many cases, installation of high productivity equipment, automation, or improved methods and practices are prohibited by physical limitations of facilities. Problems are compounded by utility systems (e.g., electrical and sewage) which are at capacity or have deteriorated due to age. In most cases, expansion of production to mobilization levels is simply beyond facilities capabilities.

Now, let me turn to the information management area. The AMC information management strategy is based on an architecture which is designed to provide technology support to decision makers throughout the command. However, our current situation is bleak. The computers in AMC are obsolete and must be replaced. Demands for access and interchange of information will grow 10 fold in the next two years. There is no expansion capability to accommodate surge or mobilization demands. Increased transaction workloads call for greater capacities to process and store data.

Our data processing installations are currently processing at near capacity. Our ADP workload associated with logistics support is projected to increase by a minimum of 65 percent in fiscal year 1987, 60 percent in fiscal year 1988, 50 percent in fiscal year 1989 and 40 percent in fiscal year 1990. The sharp increase is caused primarily by the demands of functional users for new and enhanced applications which have the potential to save millions of dollars and help alleviate problems related to our decreasing workforce.

AMC is executing a \$30 plus billion dollar procurement program in an environment characterized by stubby pencils, typewriter, and telephones. When one considers the automation capabilities which pervade today's market and compare the archaic tools at the disposal of the AMC workforce, the inefficiencies suffered are appalling. Automation is key to improving productivity in the face of increasing workload and declining resources.

OTHER ACHIEVEMENTS AND REMAINING PROBLEMS

AMC is integrating productivity improvements into our daily way of doing business. We emphasize auditable budget savings; savings we can spend elsewhere in acquisition and support. In fiscal year 1986, we established procedures to track individual actions and their actual impact on execution year and out-year funding. Adjustments to budgets and programs are made during the execution year to reflect the impact of savings and cost avoidances. Some examples of our productivity initiatives are as follows: First, automated storage and retrieval system equipment (ASARS), being acquired for our depots will enable items to be stored and then retrieved in a more expeditious manner. This not only allows acquisition of new labor and time-saving equipment but also provides for modernization of existing equipment through the asset capitalization program. Second, through the use of quality circles, we get our workforce directly involved in identifying and resolving problems, AMC has over 575 quality circles whose ideas for improvement have saved AMC \$3.00 for each \$1.00 invested in time. The depot system command received the international association for quality circle awarded for its program—the first U.S. Government agency to receive this recognition.

We have centralized formerly fragmented readiness functions in new readiness directorates in our commodity commands. We have restructured our Worldwide Logistic Assistance Program to provide more efficient and timely technical advice, assistance and sustainment training to supported units. We are developing improved

readiness information management and reporting systems to collect, store, display and analyze materiel readiness data faster and better. Our logistics assistance readiness initiatives have helped the units we support substantially reduce deadlined equipment and improved mission capable rates.

The Army's standard supply distribution system, which was developed for wartime use and is practiced in peacetime, continues to be a success story. Millions of dollars have been saved in materiel pipeline inventory through reduced order ship time to the customer. The area oriented depot (AOD) modernization program mentioned earlier will provide state-of-the-art supply distribution facilities, will increase productivity by at least twenty percent, and have a pay back of investment in four to six years.

Our depot maintenance system provided over \$4 billion in overhauled materiel to Army inventories in fiscal year 1986 at about twenty percent (\$849M) of what it would have cost (\$4B) to buy them new. Replacement facilities for critical operating activities are being brought on line. A light tracked vehicle maintenance facility, providing modern, high productivity production line capabilities for the armored personnel carrier family, was funded under fiscal year 1983 MCA (\$39M) and brought on line at Red River Army Depot in March 1987.

Expenditures have been made in recent years that have increased the efficiency of facilities within the industrial base. Most notable of these are the modernization of Watervliet Arsenal and the beginning of modernization of Rock Island Arsenal. These projects have increased our capability to provide peacetime support to the soldier and have enhanced our capability to meet surge requirements. There is much more that needs to be done to meet mobilization requirements. Additional detail is included in the discussion of plant modernization plans included in the fiscal year 1988-89 portion of this document.

Total package units material fielding (TP/UMF) mentioned earlier reduces the logistics burden on gaining commands during initial fielding, improves budget/fund control, and prevents premature provisioning and requisitioning of materiel, thereby reducing potential excesses. Between fiscal year 1985 and fiscal year 1986 we fielded 50 systems by TP/UMF.

Our inventory control program has disciplined the supply to improve the materiel returns program and to ensure that we are good stewards of the Army's assets. A significant accomplishment is the establishment of a European redistribution facility which redistributes assets within the theater. We are continuing to make strides in improving the material returns process, which in turn enhances readiness by making additional items available, while reducing investment in "pipeline." In 1986, \$2.1 billion of depot-level repairable were returned under this program.

AMC has put much emphasis on reliability, availability, maintainability-durability (RAM-D) and operation and support (O&S) cost reduction. A commitment has been made to control O&S cost by identifying the cost drivers and putting them under intensive managements in our research and development programs and follow-on production and support operations. Our RAM-D engineering design effort is aimed at reducing maintenance manhours, training requirements and operating and maintenance costs. Initially, the program began with ten systems: M1/M1A1, BFVS, M60, Apache, Blackhawk, CH-47, Cobra, Patriot, Pershing II and MLRS. Because of the potential cost savings and improvements in readiness, we have expanded this effort to include all key weapons systems.

We've recently implemented, or are in the process of implementing, several key initiative for improving the acquisition process, which we strongly feel will yield big dividends in overall weapon systems readiness and supportability. Two of these are the army streamlined acquisition process (ASAP) and the manpower and personnel integration (manprint) program which AMC spearheaded for the Army.

The ASAP program is a synergistic effort consisting of initiative focusing on technology integration, test and evaluation, simplified life cycle process, and smarter business practices. In addition to reducing the number of sequential milestones and administrative steps, we have included measures for streamlining specifications, standards and contractual requirements, increasing the use of nondevelopmental items and commercial practices; planned evolutionary development with block upgrades; use of hard-tooled prototypes to smooth the transition to production; and integrated testing and continuous evaluation. These things, taken collectively, will reduce the average time and cost of placing materiel into the hands of the soldier by as much as 5-6 years.

All of this is predicated on encouraging innovation at the very beginning of a program starting with realistic, affordable requirements that resist "gold-plating" with better up-front planning and early testing with user involvement (troops in the loop) and to make a lasting impact, by changing the entire regulatory structure to foster

streamlining. In doing so, we have won the active support of the Army staff and the partnership of the CDR, TRADOC. ASAP principles have now been incorporated in capstone Army regulation on systems acquisition policy and procedures, and in materiel objectives and requirements.

Next, I'd like to highlight some additional initiatives that are consistent with our overall streaming objectives.

The Manprint Program, an Army-wide initiative is a comprehensive management and technical approach to improve total systems, soldier and equipment performance. Manprint integrates human factors, engineering, personnel, training, system safety and health hazard considerations into the materiel development and acquisition process.

AMC is currently implementing and institutionalizing manprint into weapon systems acquisition, such as the light helicopter experimental (LHX) and armored family of vehicles (AFV). The AFV acquisition strategy will follow the approach under the provisions of the army streamlined acquisition process (ASAP). The AFV and LHX will be fielded in unit sets into the Active Army, U.S. Army Reserve and Army National Guard, thereby improving our ability to quickly sustain and support deployed forces during conflict.

In addition, we're embarking upon a new initiative to more effectively manage the materiel change processes. This entails a restructuring of the entire Army approach to managing the modifications we make to materiel, whether on the production line or through depot modification work orders. Once again, the intent here is to streamline our processes, and make them more responsive in reacting to field requirements generated by problems with equipment readiness, sustainability and support. The new approach, which can call materiel change management (MCM FOR SHORT), seeks to accommodate two often conflicting requirements: The need for oversight and control (from DA all the way up to Congress) of our materiel changes, and the need for flexibility and delegated responsibility and authority necessary to be able to react in a timely fashion. Time precludes my covering the details of our new approach, so let me summarize it by saying what we're trying to do is stratify the management and decision process so actions are handled at the appropriate levels (from minor actions that should be within the PM's purview, to major program equivalents which require congressional support and approval). One final point. If we are successful, we should finally be able to satisfy the Armed Services and Appropriations Committees that our change process in under control, especially as regards significant follow-on costs. If this is the case, then we might seek your support in eliminating some of the current budgeting requirements that were intended to control the change process, but did so at a very high cost in terms of our being able to respond to requirements in a timely fashion. If you'd like to know more about our MCM effort, we'd be happy to come back to you after we've finalized the concept and our proposals.

"Buying smart" is one of AMC's major thrusts. In fact, we have made significant improvements in our buying practices, particularly in the area of spare parts. Some of our most productive initiatives to enhance the procurement of spare parts have been to increase the number of competitive procurements, our challenges to contractors' claims of proprietary data rights, the breakout of spaces buys from prime contractors, the development of competitive technical data packages (TDPS), and the establishment of a Reverse Engineering Pilot Program.

Our "nothing is sacrosanct" procurement philosophy, which challenges imbedded and long standing practices is also changing how the Army is acquiring major weapons systems. Acquisition strategies now stress the use of NDI; the incorporation of warranties; obtaining competitive TDPS; contractor guarantees to supply spares for an extended period of time of competitively obtained, fixed "catalog" prices; identification of actual manufacturers for "breakout" purposes; establishment of multiple sources for spares; pricing of proprietary data rights; and removal of restrictive data rights after an agreed-upon period of time.

We are also reducing the number of contract actions, and obtaining better prices for spare parts, by buying in economic order quantities (EOQS), and encouraging contractors to include EOQS in their proposals. We are also procuring like items once a year (annualized buys), obtaining competitively priced options, procuring spare parts concurrent with production, and consolidating requirements whenever possible. The totality of these initiatives also benefits us by reducing the cost of re-procurements.

As previously mentioned, AMC is actively pursuing procurement of nondevelopmental item (NDI) equipment. The advantages of this strategy are numerous and offer many possibilities to stretch the value of funds appropriated for readiness and sustainability. NDI acquisitions normally require little or no development (R&D)

costs, have a low technical risk (we obtain proven technology), and reduce the time needed to field equipment. A few examples of AMC NDI procurements are the Bayonet, the cargo utility vehicle (CUCV), and the mobile subscriber equipment (MSE). The Bayonet and the CUCV are currently being purchased off-the-shelf. The MSE consists of an assemblage of proven components requiring only testing of the integrated assembly.

The administrative leadtime (ALT), or time taken to acquire spare parts and equipment, is an area of concern. ALT has increased almost two-fold since 1984. This growth can be attributed partially to internal initiative to provide more positive management oversight to individuals procurements, and the checks and controls put into place to help us better fulfill our mission requirements and to serve as responsible stewards of funds entrusted to our care for defense.

More significant, however, is the impact on ALT of the many reform laws promulgated during this timeframe. We estimate the more than 30 days has been added to the procurement process by the legislated synopsis requirements, and the administrative procedures associated with approvals and justifications for methods of procurement. The added cost of this lead time growth is estimated at over \$10 million per day for the associated materiel to maintain the longer logistics pipeline.

ALT is used in spare parts requirements computations. To maintain economic acquisition and holding costs, AMC buys to anticipated demand levels and places deliveries to keep stock on hand at reasonable levels. Increased ALT extends the forecast period. Requirements computation accuracy is downgraded with time, and can cause a resultant impact on our stock availability, readiness and sustainability objectives.

The impact of any proposed legislation should be evaluated in terms of ALT, and its potential detriment to readiness, prior to being imposed on the acquisition process. We just concluded a comprehensive review of legislation and regulations. An AMC report which was recently published identified restrictive legislation and regulations which we believe to be counterproductive—the value of which should be examined with the view to modification or elimination. For example, the limitations set forth in continuing resolution authority (CRA) create uncertainty, are restrictive and hinder efficient and effective use of funds. Legislative requirements pertaining to reprogramming in excess of \$500,000 in production base projects cause many hours of unnecessary staffing at many levels of approval. The lengthy waiting period for an approval, in some cases, results in costly delays in reprogramming. We have suggested legislative language to ease these impediments.

Additionally, statutory thresholds governing the use of certain socio-economic provisions are tied to dollar thresholds ranging from \$0 to \$10,000. A uniform threshold should be established. This change would simplify the use of small purchase procedures, which translates into a reduction in administrative leadtime, reduced investment in pipeline, and improved readiness.

AMC has taken strides to stop lead time growth and to reduce the time it takes to get our spares requirements under contract. Automation is a major part of our program as it offers the best opportunity to streamline our contracting process, to improve our productivity, and to meet the challenges associated with budgetary and resource constraints. In this regard, we ask that the Congress continue to give positive support to our automation needs.

1988-89 DEFENSE AUTHORIZATION—IMPACT ON LOGISTICAL SUPPORT

The fiscal year 1988-89 Defense authorization before you requires favorable consideration in order for us to sustain the logistical support base that has been under development for these past few years. For example, we will be able to continue to achieve our objective of 85 percent stock availability if our requests for \$1.8 billion in fiscal year 1988 and \$1.9 billion in fiscal year 1989 for spares (PA2) are approved. The requested funds in fiscal year 1988 and fiscal year 1989 will also improve the war reserve posture. Almost 50 percent of the Army's \$7.8 billion prepositioned war reserve requirements will be on hand when stocks purchased with requested fiscal year 1988 and fiscal year 1989 funds are received.

Our Stock Fund Program (\$2.0 billion in fiscal year 1988 and \$2.1 billion in fiscal year 1989) is a key leg in our readiness and sustainability foundation. The health of the Army stock fund, the manner in which it is managed, the adequacy of funding, and the timeliness of execution affects more than anything else our ability to support the field. Our fiscal year 1988-89 funding request applies not only to the direct support of fielded units and equipment, but also to sustaining our depot maintenance efforts as well. The impact here is doubly important for without stock fund piece parts to support our maintenance programs, the availability of our reparable

spares is jeopardized. We are doing everything we can to ensure that this support is maintained. In stock fund, we budget to achieve an 85 percent supply availability and we strive to exercise obligation authority as soon as it is received. Through our management efforts, we have been able to maintain and in some cases exceed that level of performance.

Depot material maintenance and support activities (P7M) are an integral part of active and reserve component readiness. The hardware account has received significant financial support in the last three years; however, funding is not keeping pace with our requirements. In fiscal year 1988 our requirements are funded (\$1.5B) at only 80 percent of our total requirement; in fiscal 1989 this requirement is funded (\$1.69B) at only 77 percent. At the proposed funding levels for fiscal year 1988 and 1989, secondary item overhaul programs (e.g., engines, transmissions) remain top priority and are funded at the expense of end item overhaul programs, e.g., M113 family of vehicles, M60 series tanks UH-1 and AH-1S helicopters. Our unfunded backlog will reach \$391 million in fiscal year 1988 and \$519 million in fiscal year 1989.

The second element of our P7M Materiel Maintenance Program, maintenance support activities, provides the bridge from the wholesale system. It funds maintenance engineering before, during, and after deployment; new equipment training; technical assistance; centralized programming and planning support; and the updating of technical publications for operating and maintaining the equipment after fielding. Maintenance support activities remain significantly unfunded each year, since it does not enjoy the same visibility as depot maintenance and its benefits are less tangible. We have concern about our ability to deliver the necessary maintenance engineering, training, and technical support during our new system deployments and, simultaneously, support all of our older fielded equipment. (Unfunded requirements are over \$300 million each fiscal year 1988 and 1989, about 37 percent.)

The fiscal year 1988/1989 budget provides over \$133 million to modernize industrial plant facilities. Modernization is being performed at Army ammunition plants and Rock Island Arsenal. The modernization effort provides equipment and processes that are state-of-the-art with heavy emphasis on automation which results in improved product quality and lower unit costs. Further, this effort brings the operating plants into compliance with EPA requirements. The fiscal year 1988/1989 budget also includes \$180 million for new or expanded capacity of the industrial base which, like the plant modernization effort, is adequate to support peacetime requirements but does little to reduce the mobilization deficiencies. Funding of all projects requested is essential to maintaining the existing base as well as preparing for fielding of new weapons systems. The defense authorization request does not include badly needed propellant and explosives facilities such as RDX and HMX lines that would be required in the event of increased peacetime requirements or mobilization. Continued funding of propellant and explosive requirements must occur if any reduction of mobilization deficiencies is to be made.

As I indicated earlier, facilities is one area where we have major shortfalls in our ability to adequately meet readiness and sustainability for both peacetime and wartime operations. In many instances, we have been forced into playing catch-up on sustainability. We have instituted multi-shift operations to meet peacetime needs and thus have no means of providing the rapid expansion of production necessary to meet mobilization needs. Just as critical is our ability to conduct research and testing. Again, facilities limitations preclude state-of-the-art capabilities and make attracting and retaining top-notch personnel difficult. Improving the quality of the workplace is essential if we are to meet our mission requirements effectively. We have had to divert much of our effort from modernization due to increasing terrorist and security threats. While these security measures are essential, the diversion of resources from our logistics base investment must stop. Security must be funded above other mission needs. While DOD made a major effort to expand construction resources for facilities investments in fiscal year 1986 and 1987, congressional reductions in this area were significantly larger than for other accounts (approximately 20 percent in fiscal year 1987). We must ensure that our efforts this year are not reduced. This is truly false economy when the average age of our facilities exceeds 40 years and, even at current funding levels, will continue to age without reasonable ability to modernize or replace these structures.

Our fiscal year 1988 requests will only make minimal progress against our total needs. Fiscal year 1988 will complete the key eastern distribution center at New Cumberland Army Depot, provide a sensor simulation laboratory critical to development of precision-guided munitions at Redstone Arsenal as well as a proposed materials research complex at Natick Laboratories to support advanced materials appli-

cations. This facility is essential to replace the technologically obsolete facility at Watertown and can be constructed at either location. Also included in fiscal year 1988 are 11 security upgrade projects for improved protection of conventional ammunition stocks. The fiscal year 1989 request will provide maintenance shops at Tooele Army Depot, modernization of missile test facilities at Redstone Arsenal, a chemical laboratory at Dugway Proving Ground, initiate site work for the central distribution center at Red River Army Depot and provide increased security at six chemical storage sites. While each of these projects are critical, combined they represent over 75 percent of our request and do not even come close to representing an effective program of facilities replacement and modernization.

In an effort to stretch these resources, we are pursuing commercial investment through long-term contracting such as the refuse-fired steam plant under construction at Aberdeen Proving Ground. However, if we are to meet the increasing requirements for logistics base support facilities, added emphasis and your continued support for facilities funding is essential.

OVERVIEW OF 5-YEAR DEFENSE PROGRAM IMPACT

The FYDP provides integrated, executable levels of financing in fiscal year 1990-93. Our concern is that funding levels projected today historically decline as we move through the program to the budget and subsequent authorization and appropriation. Reduced funding levels force shifts in investments. When this happens, quantities of major weapon systems and their support are slipped to succeeding years; the result is that overall acquisition costs increase and maintenance and supply backlogs grow. It is from this viewpoint that we remain concerned for the long-term effects on the procurement and operations funding. We are looking to our management improvements and streamlining to cope with reduced dollars and manpower.

The fiscal year 1988-89 budget request will provide funds to continue some essential improvements in readiness, and improve sustainability of forces, but austerity and fiscal retrenchment catch AMC midstream in its modernization effort, and delays our attainment of a modernized, responsive, logistics and industrial base.

Our commitment to do our best to accomplish assigned missions in the face of declining personnel resources, is reflected by extensive management improvement and productivity enhancing initiatives. These include efficiency reviews of missions, manpower staffing standards, organizational streamlining, elimination of obsolete functions, and consolidation of like functions.

SUMMARY/CLOSING STATEMENT

Despite our improvements, much remains to be done. Readiness has improved, but the continued strong support of Congress is essential if we are to maintain the momentum of our progress.

AMC's ability to maintain peacetime readiness at DA goals, and to sustain our forces in wartime, is directly related to adequate funding in support of depot maintenance, ammunition and spares procurement, and industrial base modernization, expansion, and maintenance. Readiness and sustainability are also dependent upon having sufficient numbers of skilled logistics personnel within AMC. Superhuman efforts, intensive management, and productivity enhancements can delay the day of reckoning resulting from underfunded operations and maintenance accounts. At some future time, however, densities of old and new equipment will rise to such a point that our logistic organizations, systems, and declining numbers of support personnel will become saturated, and readiness will decrease. I solicit your continued support to ensure adequacy of operations and maintenance accounts.

Senator DIXON. Thank you very much, General Burbules. Senator Bingaman, do you have any opening statement?

Senator BINGAMAN. I do not, Mr. Chairman, thank you.

APACHE ATTACK HELICOPTER

Senator DIXON. General Burbules, I think it is interesting that you mentioned the Apache attack helicopter specifically in your statement. This will not be our general line of questioning, but I wanted to get into it a little bit.

I was at a meeting in another subcommittee that Senator Levin chairs this morning where others discussed that program. I have flown that bird, and I think it is a very good antitank weapon. In view of that, and in view of the fact that it seems currently in the Army that everybody feels the same way, how do you justify the fact that we are discontinuing that line in 1988, notwithstanding the fact that the LHX will not be operational, I think, for at least another 10 years or so, and even when operational, will not have the firepower?

General BURBULES. Sir, that is basically a resource decision made at my higher headquarters, at Headquarters Department of the Army. However, as I understand it, the LHX is going to be an airplane that is going to significantly enhance a whole lot of capabilities, to include being cheaper to operate. I understand that airplane is being designed to be operated by one pilot, rather than two.

Senator DIXON. Well, there is an argument about that. They do not know whether to make it one or two right now, as a matter of fact. It clearly has less fire power.

General BURBULES. Well, the Apache will remain with the forces for many, many years to come sir. And the LHX will be a complementary aircraft. To answer your question more specifically, I believe the Army is examining now what the implication and the cost would be if we extended the production of the Apache helicopter. We are asking McDonnell-Douglas, for example, to come in and tell us what the cost would be to go to a smaller quantity, and stretch those quantities over a greater number of years.

I think we are still in the talking stage on that.

Senator DIXON. I understand the problems. You know, the budgetary constraints clearly cause you a lot of grief. Sometimes I think the Army, more so than the other services, and I mean that as no offense, General O'Loughlin, but you know, that is a real tank killer. I can not think of anything that would present more difficulties for us in Europe with the obvious disproportionate numbers of tanks that the Soviets have.

This attack helicopter impresses me a lot, and clearly can do the job. It is clearly a very superior bird.

General BURBULES. It is a wonderful weapon sir. If I may take the liberty of speaking for Headquarters DA, I believe, if the Army had the TOA to support it they would probably buy some more. I believe the number they were initially looking to buy was 1,206 subsequently reduced to 1,031. Now we are going to buy about 493. I think it is just a question of the total obligational authority available to the Army sir.

Senator DIXON. But your remarks would seem to clearly indicate to me that you believe that it can do the job.

General BURBULES. Yes sir, it is a wonderful weapon system.

AIR FORCE INVENTORY

Senator DIXON. General O'Loughlin, did you read this Washington Post, February 19 article? "Large amounts of Air Force materiel unaccounted for", GAO chief says. "Air Force inventory procedures are so inadequate that it is world-wide" "Air Force inventory

procedures are so inadequate that its worldwide logistics command cannot account for almost a third of its spare parts and ammunition, the Comptroller General, Charles A. Boucher said yesterday at a hearing on government financial management practices. Boucher and aides from the General Accounting Office, told the Senate Committee on Governmental Affairs, that the Logistics Command estimates that its inventory accuracy for spare parts, repair parts and other items, including ammunition, is 68 or 69 percent. Witnesses emphasize that the figures came from the Air Force itself."

What do you have to say about that? I wanted to give you an opportunity.

General O'LOUGHLIN. Those are 1985 figures that that report cited, and we have made considerable progress since that, sir. We had an inventory control problem. I will not deny that.

As far as the accuracy is concerned, and basically, with the additional funding that we got, as warehouses started to fill up, we had lagged behind in ADP modernization to be able to track all those things.

We have done hand-by-hand look-throughs of those things, perked up our inventory. Inventory has increased substantially from 1985 to 1986.

We have an on-going goal to have a 90 percent accurate inventory by 1990. I think we are well on our way, and much depends on our LMS modernization programs that we have coming on board, specifically, stock control and distribution, and bar coding, and those kinds of things that we have already started to employ. Also state of the art automated warehouse handling that updates the inventory as an item goes out. As I said, I think we are well on our way. I do not think really the study is feasible at this point, based on the information that it was based on.

Senator DIXON. We will be going into closed session at the tail end for a brief period, gentlemen, to ask some questions that may be classified. Let me check and see if the next question would be. I think we will wait on this other question I was going to ask you until we go to the classified session. We can use a chart, and I think it will be more informative. Senator BINGAMAN.

INDUSTRIAL BASE MODERNIZATION

Senator BINGAMAN. Thank you very much, Mr. Chairman. Let me just ask, in the case of the Army, you refer here to industrial base modernization efforts. I am not clear exactly what the Army is doing to modernize the industrial base. Could you elaborate on that?

General BURBULES. Two very good examples are the modernization of Watervliet Arsenal and Rock Island Arsenal. These plants were ancient by any standard, up until just a few years ago.

They dated well before World War II. Watervliet Arsenal is the sole U.S. capability to build large caliber cannon tubes. That capability is not available out in industry. They build the cannon tubes and breech blocks, and Rock Island Arsenal builds the carriages and the recoil mechanisms.

Those arsenals were built in 1870. They were modernized, I am sure, for World War I, and partly for World War II. But essentially

had World War II technology until, with your help, Congress' help, hundreds of millions of dollars were poured in to bring in new equipment, such as a rotary forge at Watervliet Arsenal and new capabilities at Rock Island Arsenal, so as to be able to make these cannons more efficiently.

Senator BINGAMAN. What was the program that that was funded under?

REARM PROGRAM

General BURBULES. It was called REARM, sir.

Senator BINGAMAN. Is that program still on the budget?

General BURBULES. Yes, sir. Watervliet is just about wrapping up the completion of its REARM program. Rock Island Arsenal has just completed phase one, with another two phases yet to go, sir.

Senator BINGAMAN. OK. Are there other facilities that are also being modernized in that REARM program?

General BURBULES. Not through the REARM program. That is sort of like an acronym to identify that particular effort. But we also have 28 government-owned contractor ammunition plants that also date back to World War II technology. As a matter of fact, most of them were built in World War II, very old processes, and we are modernizing the processes of producing propellants, explosives, and the load, assemble, and pack processes of the final manufacture of ammunition.

For example, Radford Ammunition plant has a continuous automated multibase propellant line that is nearing completion. We built a new black powder facility at Indiana Army Ammunition plant, and there are several other examples like that.

Senator BINGAMAN. Is this under a particular program as well? Is there a name attached?

General BURBULES. The Ammunition Production Base Modernization and Expansion Program.

Senator BINGAMAN. Are there other examples as well of modernization of the industrial base that are going forward in the Army?

General BURBULES. Included in our industrial base is our depot system, and I cited two examples in my testimony of modernizing our area oriented depots with new computer controlled stock distribution systems. These are—

Senator Bingaman. Let me tell you what we are getting at. We had a hearing the other day, I guess it was Monday in this other subcommittee, Defense Industry and Technology. We got testimony from Dr. Frank Press at the Academy of Sciences. He said something that I thought was fairly startling, but no one has disagreed with it.

He says that the rate at which we take new technology and incorporate it into the industrial base is about half as fast in the defense sector as it is in the nondefense sector. If that is true, then obviously we have a very, very serious problem with the capability and efficiency of our defense industrial base.

First of all, do you agree with that assessment?

General BURBULES. I do not know. I can not agree with the statistics, because I am just not familiar with that. But I will say this, that we would like to do an awful lot more in the modernization of

our base. But we are constrained by our total obligational authority.

Senator BINGAMAN. He said that one program that was designed to deal with this is the Mantech program, which, according to him, essentially has been dismantled by the Army.

Is that an accurate criticism?

General BURBULES. I think it is less than what it used to be. Basically, what we do is look to industry, and fund industry to help us in manufacturing methods and technology approaches. But I guess, the answer to your question is, I do not know. I do not believe the Mantech program has been dismantled as alleged. I think there has been some de-emphasis of in-house Mantech efforts as opposed to looking to industry to provide those new manufacturing processes.

Senator BINGAMAN. You do not know the level of funding being requested for the Army?

General BURBULES. I will provide that for the record for you, sir. [The information follows:]

The MANTECH Program is not being dismantled. The discreet MANTECH fiscal year 1987 program of \$27 million is only that portion of the program that will be performed in Government facilities (arsenals, depots, and activities). Manufacturing process design, development and verification is the sum and substance of Producibility Engineering and Planning (PEP) which is included as a defined task on all weapon system development contracts. Manufacturing Methods and Technology (MMT) projects are embedded in PEP and result in new and improved processes. \$52 million have been included in the fiscal year 1988 program for the PEP effort. Additionally, MANTECH type projects designed to improve manufacturing processes for weapons systems currently in production are included in Engineering in Support of Production efforts by contractors. A portion of this \$600 million plus program is being used for development of improved production concepts and procedures for existing systems. In summary, the Army approach to MANTECH has been reoriented to provide immediate application on weapons system production processes. The AMC Contractor Productivity Improvement (CPI) initiative which includes all of the above is a broad based replacement for MANTECH which will infuse sound business sense decision capability and flexibility into the entire contractor base. The CPI approach puts the onus on our contractors to improve efficiency and to modernize rather than the Army directing specific projects.

Senator BINGAMAN. I would be interested in that.

Let me ask also, you have testimony here that the impact of the new reform laws, procurement reform laws, has been to increase by more than 30 days the length of the procurement process. This is costing us about \$10 million per day. Or, I guess \$300 million overall in material required to maintain the longer logistics pipeline.

I am wondering if there are any proposals, if you think there is going to be forthcoming, anything from the DOD to resolve that problem. Obviously that was not an intended result by the Congress. We were not trying to increase the length of the procurement process. Do you know of any proposal coming to us this year which would allow us to correct that?

General BURBULES. Yes, sir. The Army Materiel Command has submitted a list of about 20 or 30 recommendations to change the laws and the regulations. Our purpose is to relook, with the intent to modify, those things we may have done to ourselves with the Federal acquisition regulations and the defense acquisition regulations, to help reduce administrative lead time. I do not believe we have any specific recommendations with respect to the require-

ments for synopses and Justification and Authorizations, J&A's as they call them.

We do not have any argument with them. We understand why the Congress required these administrative procedures. General Pepe is here to back me up on this subject. Perhaps we may have some suggestions with respect to synopses and J&A's. We have a lot of suggestions in other areas that I think will have a much greater pay off. Mike.

General PEPE. Senator, we have recently concluded a review of procurement law and regulation, and provided a packet, through the Army, back to Mr. Godwin. This initiative is also one of the top priority DOD areas that was identified by Mr. Godwin, as well as Mr. Costello. They intend, based upon the latest information that I have from OSD, to go ahead and provide the Congress with a DOD listing of recommendations for legislative change in areas where our experience has demonstrated little or no value added. They are also looking at Defense Department regulations with the view to power down. The purpose here is to put approval authority where it should be, and thereby accelerate the acquisition of repair and spare parts. That is, cut down on the administrative leadtime.

Senator DIXON. General, would you give us your name and so forth for the record, so that the reporter can accurately represent who made that last statement?

General PEPE. I am Brigadier General Pepe, Deputy Chief of Staff of Procurement at the AMC.

Senator BINGAMAN. My time is up, Mr. Chairman.

Senator DIXON. Thank you, Senator.

General O'Loughlin, General Burbules, I am going to put a chart up there, which I believe is not something that would cause you any concern as a classified matter, that I would like to talk to you about.

AIRCRAFT SPARE PARTS FUNDING

(\$ IN MILLIONS)

	<u>FY 1987</u>	<u>FY1988</u>	<u>FY1989</u>
<u>ARMY</u>			
FY1987 BUDGET	710.5	786.9	
FY1988 BUDGET	<u>558.6</u>	<u>512.1</u>	553.0
DIFFERENCE	-151.9	-273.8	
 <u>AIR FORCE</u>			
FY1987 BUDGET	3,477.9	4,449.7	
FY1988 BUDGET	<u>3,035.2</u>	<u>2,966.0</u>	3,293.2
DIFFERENCE	-442.7	-1,483.7	

Let us go to the one on aircraft spare parts funding. This would be for Army and Air Force. Would you gentlemen be kind enough to look at that with me.

Now, you see that chart comparing your aircraft, spare parts funding from last year's budget to this year's budget.

For instance, General Burbules, it shows the Army asking for \$273.8 million, or 35 percent less spare parts funding in fiscal 1988 than you projected last year in the fiscal 1987 budget for fiscal 1988. Is that right?

General BURBULES. Yes, sir.

Senator DIXON. It shows both fiscal year 1988 and fiscal year 1989 are below the fiscal year 1987 level. Is that correct?

General BURBULES. Yes, sir.

Senator DIXON. Can you tell us what accounts for those reductions?

General BURBULES. Well, those resource decisions are made sir, not in the Army Materiel Command, but Headquarters Department of the Army. I can only presume that it is just a function of defense guidance coming down to the Army saying, this is how much money you can spend. And the Army's doing the best it can, within its TOA to spread the hurt, so to speak.

Senator DIXON. General O'Loughlin, I think that this thing shows a difference in 1987 of \$442.7 million. Is that correct?

General O'LOUGHLIN. Yes, that is what it reads, yes.

Senator DIXON. Is that an accurate number?

General O'LOUGHLIN. As far I can tell, yes. The figures that I have, the top figure, the budget requested for 1987 is an appropriate figure, and also in 1989, according to the data I have in the BP1500 funding baseline, which is aircraft spares.

REDUCTION IN AIRCRAFT SPARE PARTS FUNDING

Senator DIXON. Again, what is your understanding for the reason for that sharp reduction in aircraft spare parts funding?

General O'LOUGHLIN. One of the things is basic to what we have been living with, and that is better pricing, better technology. The requirements have not grown during these particular years of increased funding. We have been able to buy and order quantities out there much cheaper than we had anticipated before, due to inflation.

As we continually get better reliability and maintainability of parts for new aircraft weapons systems, and a combination of asset capitalization that has gone into our capability to repair things, then we have adjusted those requirements down.

We are 100 percent funded in the peacetime side in the 1987/88 timeframe. We are at about 40 percent wartime reserve funding in 1987; around 17 percent in 1988, and the other wartime reserve funding, which is the bits and pieces that go into the depot to start repairing retrograde, as it appears back after the start of the conflict. We are zero there.

Now 1985 was our banner year. We have learned a lot from 1985, in fact we are enjoying excellent mission capability rates in 1987 due to that 2 year lead time. There is a drawdown in the wartime

reserve material and other wartime reserve material during the 1988/89 timeframe.

Senator DIXON. Incidentally, why do you fund that way? 100 percent of the POS requirements in fiscal year 1988 and 1989, 17 and 11 of your WRSK/BLSS requirements for fiscal year 1988 and fiscal year 1989, and none of your OWRM requirements for either year.

General O'LOUGHLIN. We fund by priority of the defense guidance, strategic portions, strategic airlift, tactical, wherever it falls in there. And we fully fund the peacetime operating support, because that gets us the training that we require for that period of time.

Anything left over, if we get more of a proportion of our budget, goes to WRM. Now that is not to say that those figures are static. The fact is that if we achieve savings and we achieve end order quantity buys, which allow us to roll money over, we will buy more quantities, and those figures will go up.

Senator DIXON. I wondered why it would not make sense to fund a little less than 100 percent of your peacetime operating spares requirements, and then put a little more in your wartime sustainability resources.

General O'LOUGHLIN. Well, the airplane does not know the difference between a wartime piece of equipment and peacetime equipment, because for a full up airplane, they are both the same.

Senator DIXON. So you believe this is the correct way to do the funding?

General O'LOUGHLIN. Yes, sir.

Senator DIXON. Do I understand that you are suggesting to me then, that some of the other charts that we have, perhaps we will not show them now, that showed those lines going down on spare parts funding for the Air Force over the next several years, those lines had been going up for years over about the past 8 years. At least the last 3 or 4 years they were going up. We have that chart here somewhere. It shows it peaking this year, if my memory serves me, and then starting to go directly on a downward path to where, my recollection is by about 1990 we get in about the same position as 1983.

Now, I am generalizing. I could be off a year or so. I want to make the record clear on this.

Are you saying to me, General O'Loughlin, that is not really denying you those spare parts so much as it is an improvement in your ability to buy at a cheaper price, and through better acquisition and procurement policies, improve your position for less money?

General O'LOUGHLIN. Yes, sir.

Senator DIXON. Do I understand that to be your testimony?

General O'LOUGHLIN. Yes, sir. Mr. Chairman, I might add, that is part of the reason, but I would say that when you deal without year requirements, you do the best you can on mean time between failures and those kinds of usage rates. If there are differences in that, it can go up and down. We have to have some flexibility in there for flying hours. If they stay the same, if a flying hour requirement went up, then obviously that would put me behind the power curve if I am not prepared for it ahead of time.

Senator DIXON. One more question before I yield to you, Senator. Senator BINGAMAN. Sure.

Senator DIXON. Again, I understand your position to be essentially and primarily that this is not budgetary constraints, where in your necessary prioritization you are denying yourself some of your part, your spare parts. You are saying to me you are getting more spare parts for the buck. Are you saying that for the record?

General O'LOUGHLIN. I am getting more spare parts for the buck than I was in the early or late 1979, early 1980 timeframe, due to several things.

One, inflation. As it decreased, we had more money to roll over. We would buy more parts and because of the total order quantity, the manufacturer could produce them cheaper. The total program has been an adjustable one all along. I think that you have got to take a look at the Air Force budget. It was \$42 billion in 1980 and is now over \$100 billion. We ought to be able to maintain a pretty good force with those kinds of dollars.

Senator DIXON. If you look at that chart up there now, can you see that chart showing 50 percent in 1983, 73 percent in 1984, 100 percent in 1985, dropping to 71 percent in 1988, 55 percent in 1987—wait a minute now, 1986, excuse me, there is a typo here—71 percent in 1986, 55 percent in 1987, and 58 percent in 1988.

General O'LOUGHLIN. This is the total program. This is all war reserve support kits. Peacetime operating stock and other wartime reserve requirement as we know them. We are funded at 71 percent. Of that 71 percent, we fund 100 percent of the peacetime operating stocks. The remainder go to wartime reserve.

Senator DIXON. But do you see the distinction between what you achieved in 1985 and what the chart would seem to indicate in the out years?

General O'LOUGHLIN. I would love to continue 1985 funding.

Senator DIXON. I understand that. I do not mean this disrespectfully, nor am I wanting to quarrel with you, or to jeopardize what you have already said. But it would seem to indicate, something less than what would accommodate, the impression that I got that you were satisfied with the funding. Are we on the wrong track? I am not trying to quarrel with you.

General O'LOUGHLIN. I understand, and I would like to make the record clear.

Based on realities of what the total TOA for the Air Force is, and the defense guidance as we receive it, we have established the priorities of where we are going to put our money. We fund based on the flying hour program and the requirement spares, 100 percent of POS. That continues all the programs. If you are asking me would I like to have 100 percent funding for war reserve materiel, definitely. Because one of the concerns that I have in the long term is that with the lead time that the 1986 budget, if it is reduced, needless to say, with the 2 year lead time, that takes me into 1988. I would have a lesser capability there.

I may not notice it right away, with my peacetime operations flying, and what have you, because I can take it out of POS. But over the long term, the guts of our war reserve would be eaten up. And it would start to back up in my depot. I would not have the bits and pieces with other wartime reserve materiel, and a combi-

nation of things to keep that pipeline going. The we would fall back into the 1979 timeframe, when I had everything in depot and nothing on the shelf. We had to spend like hell to get up over that hump.

Senator DIXON. I think I understand better what your position is. Thank you very much. Senator Bingaman.

ACQUISITION PROBLEMS

Senator BINGAMAN. General O'Loughlin, let me ask, if I could, you have some strong statements in your testimony about the acquisition problems. I think they are very interesting statements.

The impact of the flood of acquisition seems to fall into four areas: conflicting legislation, acquisition turbulence, complexity and increased lead times. I think that is sort of the four horsemen there that we created.

You indicate that you are going forward with corrective action through the appropriate channels. Is that also to show up in Mr. Godwin's proposals to the Congress later this month when he testifies?

General O'LOUGHLIN. I hope so. That is my understanding. We made a strong pitch through the joint logistics commanders that some of those impediments had swung too far to the left. Not to say that each one of those legislative items, when you take them separately were not good or well meaning. That is not the issue.

But collectively, what they did to us was to cause a considerable amount of trauma and delay in getting on contract. It takes an average of 250 days to get a dollar on contract. This leaves 115 days to make the hard decisions about what to buy, how much, etc. If any of these slip, or we receive the budget late or it is an unusual contract then, or any of a hundred other things, the money is not obligated its first year of availability, then our budget is reduced because we cannot execute.

Senator BINGAMAN. When you say get on contract, you are talking about from the time you decide to go ahead and acquire something from a particular vendor?

General O'LOUGHLIN. Yes, sir, from the time we determine a requirement until the contract is signed.

Senator BINGAMAN. It takes you 250 days before you have the person chosen, or actually have a contract signed with that supplier.

General O'LOUGHLIN. Yes, sir, that is the approximate time until a contract is signed. And then you lead time to get it. Then you fall into the end of the year execution problem, where people will bring up the myth that since you have more money than you can execute, obviously we ought to take some away from you.

Senator BINGAMAN. You say that 250 days lead time is now twice what it was 3 years ago.

General O'LOUGHLIN. Yes, sir, roughly.

Senator BINGAMAN. How much of the increased lead time is a result of legislation, and how much is a result of internal regulations, or is there any way to sort it out?

General O'LOUGHLIN. I do not think there is any way to sort it out. But I would say that some of it is caused by the internal

trauma that it creates in getting new methods, the new forms, the procedures that you have to go through. Also, as a result of the horror stories of the past, we have a very conscientious group of people that have their head tucked in a little bit, you know, and are not willing to go out on a limb until they are dang sure what is going to happen. Because we cannot afford a horror story.

MODERNIZING INDUSTRIAL BASE

Senator BINGAMAN. Let me ask you the same questions that I asked the General about the problem of modernizing the industrial base.

Do you agree that the industrial base that supported our national defense effort is significantly less efficient than the industrial base for the commercial sector?

General O'LOUGHLIN. Yes, sir. I would say so. If I could give you a two part answer.

We have witnessed, and been able to put excellent asset capitalization into our military base. We have gone from \$50 million in 1983 to about \$180 million, roughly, in asset capitalization of our own organic base that we have.

In the industrial base, what I suffer from is delinquent contractors and, in several critical areas that we have raised before the Joint Logistics Commanders, especially in optical glass hearings and chips, those kinds of things. The heavy dependence on the foreign market concerns me, for the record, and we have an excellent bearing study that we have given to the Department of Commerce, and I know they have taken action on that.

But that industrial base, while it is going through the throes in many portions of the country of depression, in some cases, they have not come up to speed with asset capitalization. Thank God, through committees like this we have had the ability to bring on some awfully good technical ability in-house. Of course, the main concern that I have is the surge within wartime, is how quickly they can get on board.

Senator BINGAMAN. Let me ask what the solution is. Dr. Press sort of made the case that all the incentives are wrong for industries in the defense sector to modernize. Once they get a contract signed, they are not under the continuing competitive pressure that people experience in the commercial sector. Therefore, programs like Mantech and other things manage to compensate for that, and encourage additional technical innovation from the defense industrial sector.

Is it your view that that is the best we can do, is to continue to support programs like Mantech? I think the Air Force continues to pursue Mantech.

General O'LOUGHLIN. Mantech and Reptech both are alive and well in the United States, sir. We work very closely with industry. Much closer than I have ever seen before, to be honest with you, because we are heavily dependent on it.

Senator BINGAMAN. Now Techmod, could you describe for a moment what you do in the Techmod program? There is some engine construction going on in the General Electric plant in my State which supported, some of the technological innovations are

supported through that Techmod program. They have been very pleased with it, and feel it has been useful.

General O'LOUGHLIN. A lot of that Techmod is coming through the Air Force Systems Command, and not through my command. But at the same time, I am aware that it is on going. In the areas of engine improved life core and what have you, we are doing work with the industry, the big engine manufacturers to improve life cores, to improve the number of cycles and the wear of the engines in the long term. We are sponsoring some of that. But those are pretty good programs.

Senator BINGAMAN. That is all my time. Thank you, Mr. Chairman.

Senator DIXON. Thank you, Senator. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman.

MANPOWER STRENGTH

First, a question to the Army. The Vice Chief of Staff of the Army, in another hearing this morning, said that the Army top priority was the maintenance of his force structure level. No cut back in any manpower strength. I am wondering how the priority affects the budget for your area of responsibility.

General BURBULES. I am sure there is some impact, Senator. What that impact is, I do not know, nor can I really say. The resources decisions are made at Headquarters Department of the Army, and go through program analysis and evaluation and the SELCOM, and they decide how to allocate the available dollars.

Senator WARNER. You get a dollar figure. To what extent do you have an input in arguing for, presumably, an adjustment upward in that figure?

General BURBULES. We do have the capability, sir, and we do submit arguments, and we negotiate with the Headquarters DA. But the final decisions are theirs at the highest levels, and we are not involved in those financial decision processes.

AMMUNITION REQUEST

Senator WARNER. Could you comment a little bit on the ammunition request for fiscal 1988 and 1989? It seems to me that they have been reduced.

General BURBULES. I do not believe I have the statistics here. Well, I do, it is my statement, and they are somewhat reduced. But generally, they stay at around \$2 or \$2.2 billion. \$300 to \$350 million goes to repairing and modernizing the base. About \$700 million goes to training ammunition, and the remainder, the bottom line is, we plus up our war reserve accounts by about \$1 billion a year. And again, as to why they are declining—

Senator WARNER. The ammunition reserve in Europe, particularly in the NATO area—we feel that we built up those stocks, the rate of build up—

General BURBULES. Sir, I am a logistician, I am not a gunfighter. Those decisions are made at Headquarters DA.

FLYING HOURS FOR AIR FORCE

Senator WARNER. Let me turn to the Air Force. The Department has requested 9,000 more flying hours for fiscal year 1988. It seems to be 13,000 less for 1989. I am interested in that swing and the impact on readiness.

General O'LOUGHLIN. 9,000 hours we could absorb in 1988. I would imagine that, and I have to speak, not being in the operations business anymore, off the top of my head. That has to do with the training requirement.

Senator WARNER. Rather than do it off the top of your head, I would prefer you submit this for the record.

General O'LOUGHLIN. I will be more than glad to.

[The information follows:]

FISCAL YEAR 1988-89 Flying Hours

The 13,096 hour decrease in the USAF worldwide flying hour program from fiscal year 1988 to fiscal year 1989 results from numerous force structure changes in the total force. Major changes are: the phase out of F-4s (-36,597 hours), T-33s (-12,994 hours), H-3s (-6,240 hours) and the phase in of F-16s (+35,339 hours) and F-15s (+11,018 hours). Other less significant changes round out the overall decrease of 13,096 hours.

Any decrease in flying hours will impact on USAF readiness. Unfortunately, in an era of tightened fiscal resources, while we try to protect our readiness accounts to the maximum extent possible, flying hours are not exempt. This 13,096 hour reduction equates to .4% of the total flying hour program.

Senator WARNER. This is a matter that I have followed for some period of time. Thank you, Mr. Chairman.

Senator DIXON. Thank you, Senator. Senator Levin.

DEPOT MAINTENANCE BACKLOG

Senator LEVIN. Welcome to both of you gentlemen. We asked some questions a few weeks ago about the depot maintenance backlog, and I understand that some additional funds have been found either since then, or around that time. I would like to go into that question with you.

First, if we could get a chart up here. General O'Loughlin, this was the chart we put up based on the figures we had a couple of weeks ago. We understand that, in 1988, it will not be going down, it will be kind of flat, and then be going down in 1989, as I understand it. Is that basically right?

General O'LOUGHLIN. Yes, sir. Let me just throw one up there that overlays yours and it will show you the additions that have been added, Senator Levin.

Senator LEVIN. Allright, General, it is your show.

General O'LOUGHLIN. It is the same chart you have, we just have another line for what the adds were in 1988 and 1989. Roughly, \$88 million in 1988, \$52 million in fiscal year 1989 are the funding levels. That actually brings the backlog down from \$238 million within that period of time to \$150 million. In 1989 it brings it down to \$410 million.

Senator LEVIN. So we can get this in context, the backlog in 1985 was zero.

General O'LOUGHLIN. Yes, sir. Fully funded. I believe that is right.

Senator LEVIN. That is what our figures show. The backlog was zero in 1985. It was about zero in 1981 or 1982 roughly. And it is going to be climbing under the new figures to \$410 million by 1989. Is that right?

General O'LOUGHLIN. Yes, sir.

Senator LEVIN. You have been able to find about \$88 million as I understand it, in 1988, and \$52 million in 1989. You have been able to reduce that drop off somewhat. But we still have a drop in the percentage. Is that correct?

General O'LOUGHLIN. Yes, sir.

Senator LEVIN. So, for instance, instead of depot maintenance being at 84 percent in 1989, it might be at 86 percent of our requirement as a result of these new figures, is that correct?

General O'LOUGHLIN. That is close; yes, sir.

Senator LEVIN. What kind of equipment maintenance are going to have to be deferred as a result of these backlogs? Can you give us some examples?

General O'LOUGHLIN. Well I hate to give you a forecast of exactly what we are going to do, but basically, at the current funding levels we would curtail some B-52 PDMs, periodic depot overhauls, KC-135 periodic overhauls, and some F-15 speed line aircraft that we normally would put through a speed line. We would delay them.

We would reduce some engine overhauls and then some exchangeables on the shelf, as we found that those we did not maybe need, or have a requirement for. It would defer them until the out years.

Those are the kinds of things that we do. It would also, needless to say, curtail us from probably doing a couple of crash-damaged F-111s, a couple of C-141s that I have waiting damage repair, and of course Air Force structurewise, they have a great magnifier on anything that we go into. So that does hurt.

Senator LEVIN. How concerned are you? You say it hurts.

General O'LOUGHLIN. I am concerned from the standpoint that I do not like to leave those hulks around there if I can get them back into the fleet. With the present funding backlog of roughly \$150 million next year, we would be back down to about where we were in 1984 when we were funded with a \$78 million backlog. Did we survive, yes sir. We survived that. And things have been going up ever since.

Senator HUMPHREY. Will the Senator yield?

Senator LEVIN. Sure.

CANNIBALIZING AIRCRAFT

Senator HUMPHREY. Are we not cannibalizing aircraft?

General O'LOUGHLIN. No, sir, we are not. Probably the least that we have ever cannibalized. Because in the recent trip, I just came back from the Pacific, stock levels are at 90 percent. Flying time and crew training is the best it has ever been. We have the best accident-free rate we have ever had in the history of the Air Force last year. The F-15 in the Pacific has no major accidents.

Senator HUMPHREY. That is great, and I am glad to hear that.

General O'LOUGHLIN. The cannibalization rate is very low.

Senator HUMPHREY. Will we be able to continue these down-trends and avoid cannibalizing?

General O'LOUGHLIN. If that backlog existed at \$410 million out there in 1989, all the indicators would rise, I am sure, over the long haul.

Senator HUMPHREY. In other words, we are going to be cannibalizing aircraft if this continues?

General O'LOUGHLIN. All the supply inventory items probably would suffer, which, in turn, would increase cannibalization.

Senator HUMPHREY. Increase it. Is there some now?

General O'LOUGHLIN. There is a very small percentage. I have another chart I would like to show you.

Senator HUMPHREY. Well that is all right. It is Senator Levin's turn.

General O'LOUGHLIN. The rate, basically, since 1980, it was 3.2. It got up to 3.5. But you are talking about 1979 appropriations in the 1981 timeframe. It is down to less than two now.

Senator HUMPHREY. Two as a measure of what?

General O'LOUGHLIN. Per 100 flying hours. Two cannibalizations per 100 flying hours.

Senator HUMPHREY. Thank you.

Senator LEVIN. General, back to the backlog figures. Between 1980 and 1986, we have had 2 years out of the 6, where our backlog was over \$100 million. In the other 4 years, the backlog was either zero, or under \$25 million. So in 2 out of the 6, we are over 100, and in 4 out of the 6 we are under \$25, and in one of those years, zero.

Now suddenly, from 1986 to 1989, 4 years in a row, we are going to be above \$100 million. We are climbing from \$100 million to \$410 million. It seems to me that we are going in exactly the wrong direction. I mean, the first 6 years are pretty good. Not perfect, but pretty good. We only had 2 out of the 6 over \$100 million, and in the last 4 years, we are going to have 4 not only over \$100 million, but we are climbing to \$410 million in backlog.

I am just wondering, is this not going to have an impact on readiness ratings?

General O'LOUGHLIN. I would not disagree with you that the trend is going the wrong way. I would also say at this point the fiscal year 1989 figures are probably—there are some uncertainties in there, exactly what we will have as we witness the execution of 1987 and 1988.

Senator LEVIN. There is always uncertainty in the out years. But the best projection that you give us, even after you have found an additional \$88 million and \$52 million is \$410 million in backlog in fiscal year 1989.

General O'LOUGHLIN. Yes, sir.

Senator LEVIN. That is what we have to act on.

General O'LOUGHLIN. Yes, sir. I would be pushing a bow wave if that actually happens. I would be pushing a bow wave out there by extending PDM overhauls, and those kinds of things. And would it affect readiness? Yes, sir, it would. In exchangeables, especially.

Senator LEVIN. Even those wrong trends assume 3 percent real growth in the out years for the overall defense budget.

General O'LOUGHLIN. I believe so, yes.

Senator DIXON. Thank you, Senator Levin. I indicated, gentlemen, earlier that the distinguished ranking member had an obligation at another committee and could not be here as we opened the hearing. He is, of course the former chairman of this subcommittee as well, and we are pleased to recognize Senator Humphrey.

Senator HUMPHREY. Thank you, Mr Chairman. In fact, I have four hearings going simultaneously. Three of the four being very important, in fact.

REAL PROPERTY MAINTENANCE

Has anyone pursued the backlog real property maintenance? Do you have any charts on that? Could you throw up some charts on that?

General O'LOUGHLIN. I do not have a chart.

Senator HUMPHREY. Do you have any figures with you on the backlog of real property maintenance?

General O'LOUGHLIN. Let me just check. I do not have a slide.

General BURBULES. I do not have a back up either. But I believe I know what you are leading to, and that is that the backlog for real property maintenance activities is increasing. And that is a fact in the Army. I just do not have the figures with me.

[The information requested follows:]

BACKLOG OF MAINTENANCE AND REPAIR

This chart shows the BMAR relative to the Total Requirement and the New (Annual) Requirement. The math is as follows: $\text{New Requirement} + \text{BMAR} = \text{Total Requirement}$. The relationship between the New Requirement and Maintenance and Repair (M&R) funding is key. When the New Requirements exceed the funding, some requirements are deferred and the BMAR grows. Conversely, when funding exceeds the New Requirement (as in fiscal years 1982, 1985, and 1987), the BMAR decreases.

From fiscal year 1978 to fiscal year 1987, funding was roughly equivalent to the level of the New Requirement. Although the BMAR has grown during this period, the growth was largely due to the effects of inflation on the deferred work and accelerated deterioration of the facility plant. Suppressed current Mission MILCON funding also influenced the BMAR during this period.

For fiscal year 1988, the President's Budget funding is slightly less than the New Requirement; the BMAR grows by this difference coupled with the effects of inflation and deterioration on the already deferred requirements.

BACKLOG OF MAINTENANCE AND REPAIR (BMAR)

FY88/89 PB

FY 88 CONSTANT \$

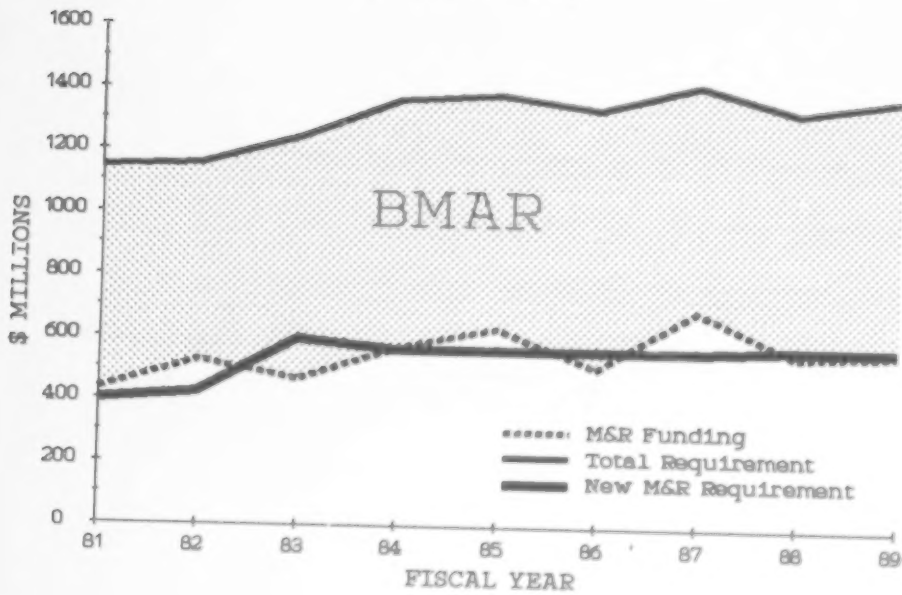


Chart 1

BACKLOG OF MAINTENANCE AND REPAIR (BMAR)
 FY88/89 PB with Congressional Reduction Being Considered
 FY 88 CONSTANT \$

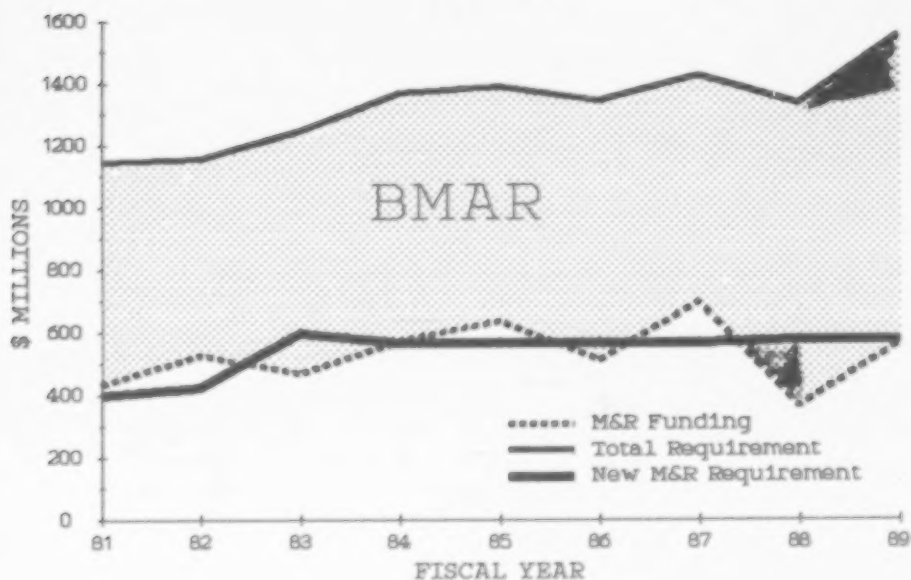


Chart 2

Senator HUMPHREY. Well, give us your sense of the magnitude then. Is this a minor problem, a substantial problem, a frightening problem, what is it?

General BURBULES. In the Army, and I have touched on it in my prepared testimony in a general way, it is a significant problem.

Senator HUMPHREY. Well, all problems are significant around here. Can you be a little bit more, can you quantify that a little better?

General BURBULES. Not in dollars and cents. I will provide those for the record.

[See chart 1 on previous page and chart 2 above.]

Senator HUMPHREY. How about in the sense of urgency or alarm or discomfort? Are we building clums again, is that what it comes down to? My contention was, and I think correctly, 5 or 6 years ago, the DOD was the largest slumlord in the world, when you looked at the condition of our living and working quarters. They were really bad in some places. Just scandalous in some.

Are we heading back, is DOD heading back toward being the world's largest slumlord?

General BURBULES. I can only speak with respect to the Army Materiel Command. It seems, right now that at least, the family type, the soldier-oriented programs for housing and child care cen-

ters and so forth, are improving. But with respect to the operations of the Army Materiel Command, the industrial base, and all the RPMA things that impact on that, as you know, the vast majority of the Army Materiel Command was built in 1940. It is 47 years old, and it is getting older and older, with little relief in sight, for repairing a lot of the facilities we have out there. We are very concerned about it. I try to address it in general terms in my prepared statement.

ARMY BACKLOG

Senator HUMPHREY. According to the Secretary's compendium of O&M, called O&M Overview, page 28, if anyone has that, the Army's backlog was \$1.31 billion 1986 actual. 1987 estimate is \$1.1 billion, 1988 estimate is \$1.5 billion, 1989 estimate is \$2 billion. So, in a 3 year period, for the Army, we are looking at a doubling of backlog.

Have you ever seen a backlog double in 3 years?

General BURBULES. Frankly, sir, I have not tracked those statistics over the years. I would point out that I think the value of the ammunition industrial base is at about \$31 billion. To the extent that that contributes to some of those numbers, which represent 5 to 10 percent of that figure, is very worrisome.

AIR FORCE BACKLOG

Senator HUMPHREY. And the Air Force is going from \$788 in fiscal year 1986, the actual fiscal year 1986 backlog, to estimated \$847 in 1989, which is an increase, but not nearly as steep an increase as the Army.

General BURBULES. Again, Senator Humphrey, I am prepared today, to the best I can, to address some of these issues with respect to the Army Materiel Command. I am not prepared to talk about posts, camps, stations and housing throughout the entire United States Army. I did not understand that that was the purpose for my being here today.

Senator DIXON. May I say to the Senator that we do have an operation and maintenance, real property maintenance activity chart for the Army, that we have just placed there, that would seem to show the backlog which was being reduced through 1987. It is now rising very dramatically, as you can see, through 1988 and 1989.

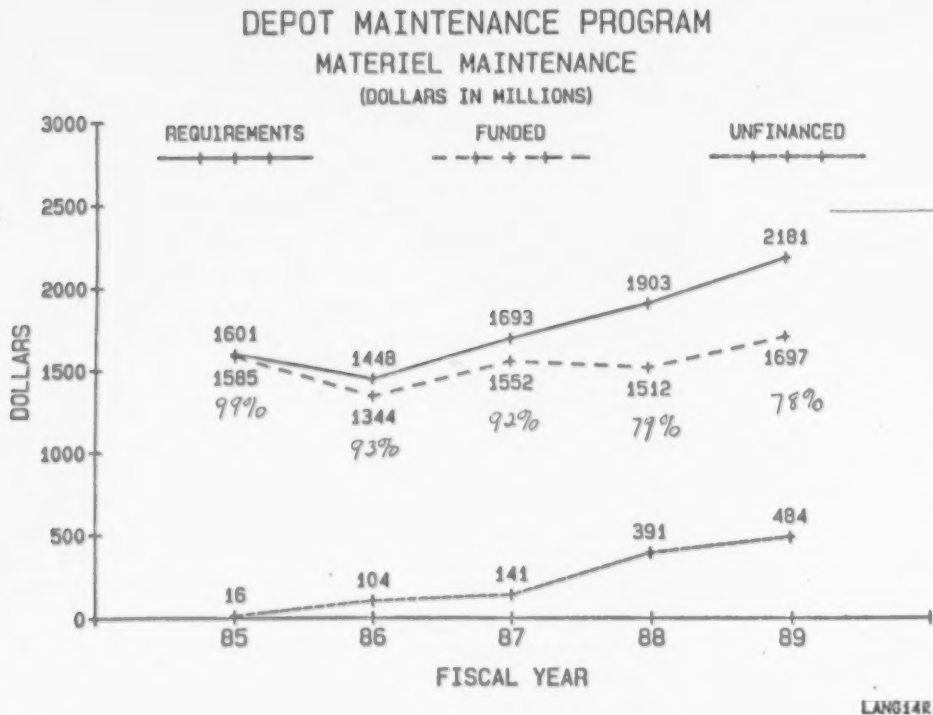
Senator HUMPHREY. \$1.366 in 1986, projected to \$1.912, \$1.9 in 1989. That is not a doubling, but it is still a huge increase. What is the affect of that going to be?

General BURBULES. The fact is, we are going to get older facilities. Obviously we will have old facilities, less efficient facilities, possibly increased safety hazards, inefficiencies in the workplace. It could in fact decrease our ability to perform our day-to-day mission, should a roof fall in, as it did for example, out in one of our big maintenance buildings at Tooele Army Depot a couple of years ago. It stopped maintenance activities for several months until we were able to put that roof back on.

Senator HUMPHREY. It sounds to me, Mr. Chairman, like we are building the slums again.

Senator DIXON. To follow along that line, for a moment, General Burbules, could we have the depot maintenance chart for the Army up there for a moment?

OPERATION AND MAINTENANCE, ARMY



I think that my distinguished friend from Michigan had discussed with General O'Loughlin the Air Force's problem. Let me show you the Army problem, General Burbules, along the lines of Senator Humphrey's questions on real property maintenance.

Note here that again, we were achieving the 1986 and 1987, well, 1985, 1986, and 1987 timeframes, fairly decent programing. You notice how in 1988 and 1989, then that deteriorates again, and we have only a 79 percent figure in 1988 and 78 percent in 1989. So that once again, we see this loss of our position in respect to the out years.

What would be your concerns about that particular chart?

General BURBULES. The same concerns that General O'Loughlin said. We are very concerned about it. It is a question again of affordability. Incidentally, my numbers are slightly different than the numbers that you have. Not significantly, but for example, you have a shortfall of \$484 million in 1989. Mine is \$519 million. But it is approximately correct. We are only about—

Senator DIXON. It would be worse in 1989 than our own chart?
General BURBULES. Yes sir.

Senator DIXON. Yours would show \$519 million shortfall, instead of the \$434 million. May I say to both of you that Senator Levin, who is here, is the chairman of a very important subcommittee addressing this same subject matter, on which I also serve.

Frankly, all of us are genuinely concerned about the fact that all of these charts we see, and that we discuss with you and with other people that come before us, demonstrates that in all of these areas, we see a snowballing effect, that in time will overwhelm us in a period of years. Is there a reason to be concerned about this? Are we alarmists?

General BURBULES. No. There are very strong compelling reasons to be concerned about it. It is just due to the direction of the Defense budget, the need to take action to try to balance the budget. We get our guidance from the Office of Secretary of Defense. We do what we can, sir. This is the fall-out.

I think as we go in just about all the areas, you will see the same kind of degradation. Out of ammunition we bought, the spare parts——

Senator DIXON. You see the real property problem that my friend Senator Humphrey has talked about. You see the depot maintenance problem. You see the spare parts problems. You see the ammo problem. We see distinguished leaders like yourself coming before us, and another General before Senator Levin's committee this morning saying the Apache is a dynamite attack helicopter, a great bird, but we cannot afford it. We see all of this.

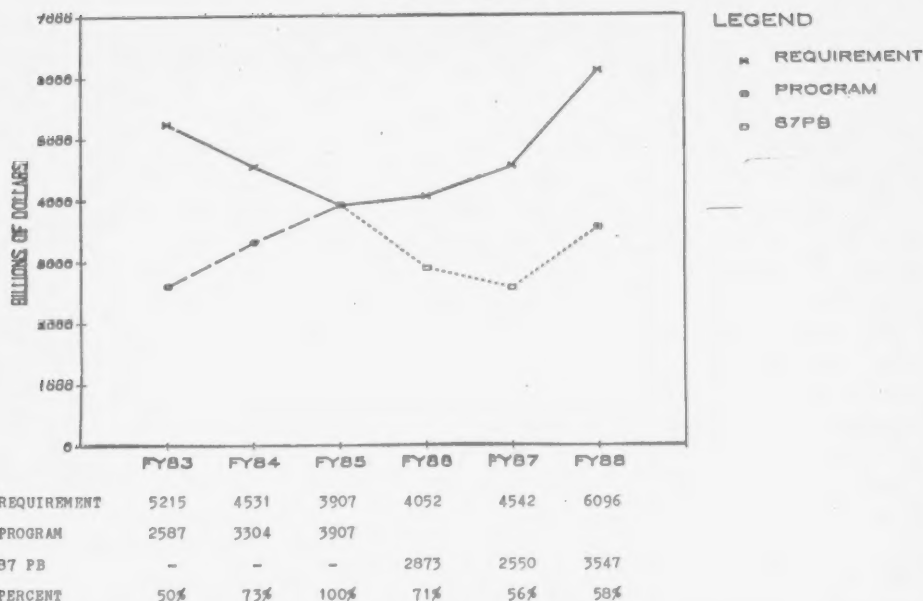
BRADLEY SHORTFALL

Is there some shortfall in the Bradley this year? Are we going to buy less of them? My colleague is better advised on many of these things. We ponder where we are going to end up 3 or 4 years from now if we permit this to occur.

General BURBULES. In deep trouble, sir. We need your help. We need the help of the whole Congress to reverse the situation. It is very serious.

Senator DIXON. Do you have any other charts of this kind, General, other than the ones that we have been using here? Because I note your correction on this one. I think somebody indicated—where was that one a while ago you were showing me, that ends up worse than our own chart? General O'Loughlin, if I could go back to another chart with you, there was one here, where I thought you made a correction, that in your statement, that made our chart—Bob, can you find that chart? The nomenclature is Funding Perspective BP1500 there.

FUNDING PERSPECTIVE BP 1500



That chart, last year, I showed you that before. Do you see that one there? On page 28 of your statement, if I read it correctly, would you look at it with me, General O'Loughlin?

On aircraft replenishment spares, your first graph. Overall, the replenishment spares account is funded at 52 percent and 45 percent of the total fiscal year 1988/89 requirement respectively. So that, if I understand what you are saying there, the last column there, instead of being 58 percent should be 52 percent. It is worse than our chart. And the year I do not have on that chart, or I should say, let me correct myself, the committee does not have, would show it at 45 percent.

General O'LOUGHLIN. Is that page 28, sir?

Senator DIXON. Page 28 of your statement, General. In the aircraft replenishment spares, the first graph. The sentence, it is the second sentence. It begins, overall, the replenishment spares account, and so forth, did you find it?

General O'LOUGHLIN. I have it.

Senator DIXON. Do I interpret that correctly that that chart of ours should be corrected to show that really, in 1988 it is 52 percent, not 58 percent?

General O'LOUGHLIN. Yes, sir.

Senator DIXON. And that it deteriorates to the extent that in 1989 that is 45 percent?

General O'LOUGHLIN. That is the figures that I have. They were checked throughout.

Senator DIXON. I wonder if we could ask you to cooperate with our folks to upgrade that chart.

General O'LOUGHLIN. We certainly will.

Senator DIXON. There will be substantial debate about these issues in the Congress, at least on this side. We want to have these things up to date.

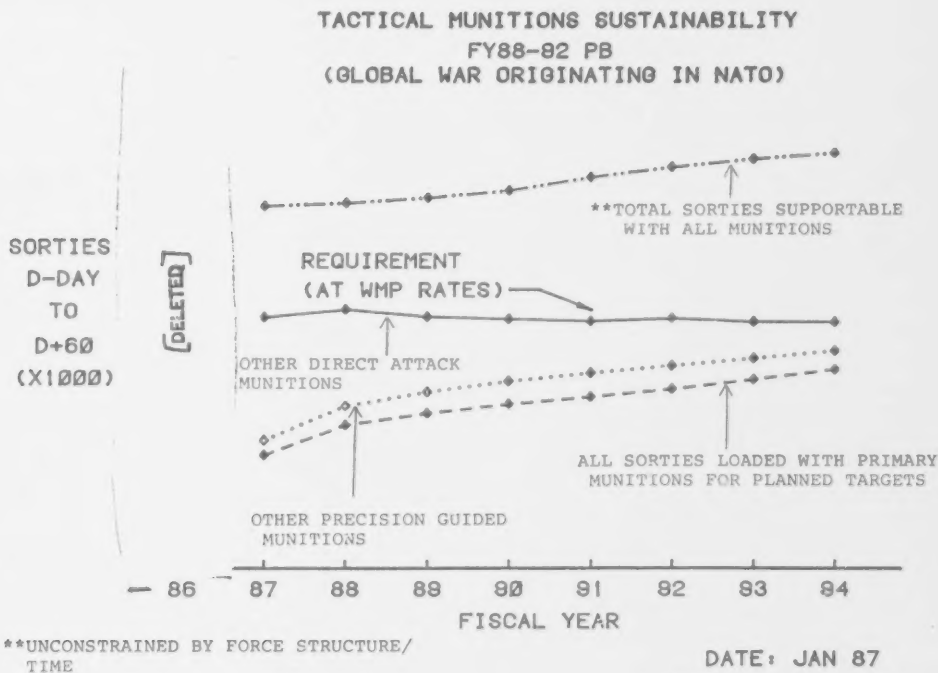
General O'LOUGHLIN. We would be more than glad to.

Senator DIXON. To both of you, we would appreciate it greatly in this committee, if, on ammunition, spare parts, real property maintenance and depot maintenance and all of these other funding prospective type things, if you could give us up to date charts reaching out into the out years, as far as it is feasible to do so, but if you can, through 1989, we would appreciate it. Can you do that for us?

General O'LOUGHLIN. Certainly.

General BURBULES. Provide that for the record?

[The information follows:]



**C-5 + C-141 CAPABILITY ESTIMATE
BASED ON 88 PB SPARES FUNDING
(GLOBAL WAR)**

TONS
DELIVERABLE
C-DAY TO
C+120
(X1000)

[DELETED]

CAPACITY
AT WMP RATES

SUPPORTABLE
WITH SPARES

82 83 84 85 86 87 88 89 90 91
FISCAL YEAR

DATE: 16 JAN 87
SOURCE: AF/LEXY

**TACTICAL FORCES SUSTAINABILITY
BASED ON 88 PB SPARES FUNDING
(GLOBAL WAR)**

SORTIES
D-DAY
TO
D+60
(X1000)

[DELETED]

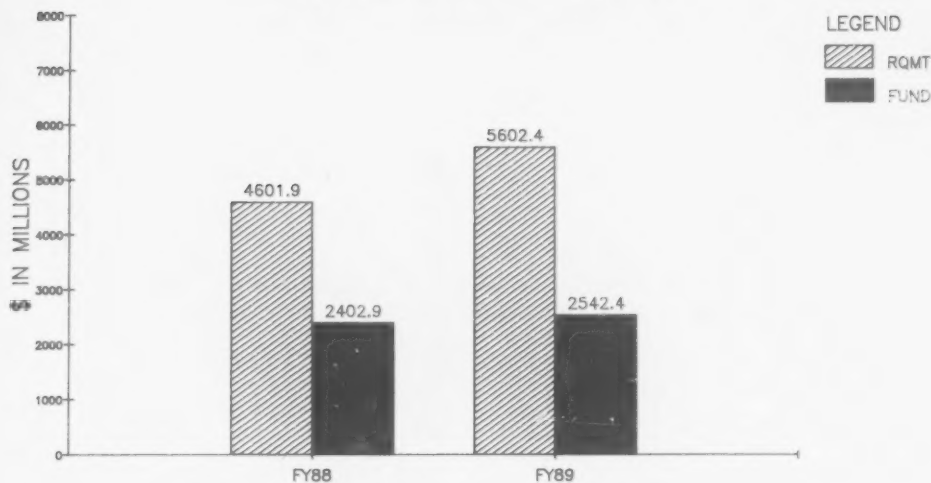
REQUIREMENT
AT WMP RATES

SUPPORTABLE
WITH SPARES

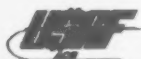
81 82 83 84 85 86 87 88 89 90 91
FISCAL YEAR

DATE: 16 JAN 87
SOURCE: AF/LEXY

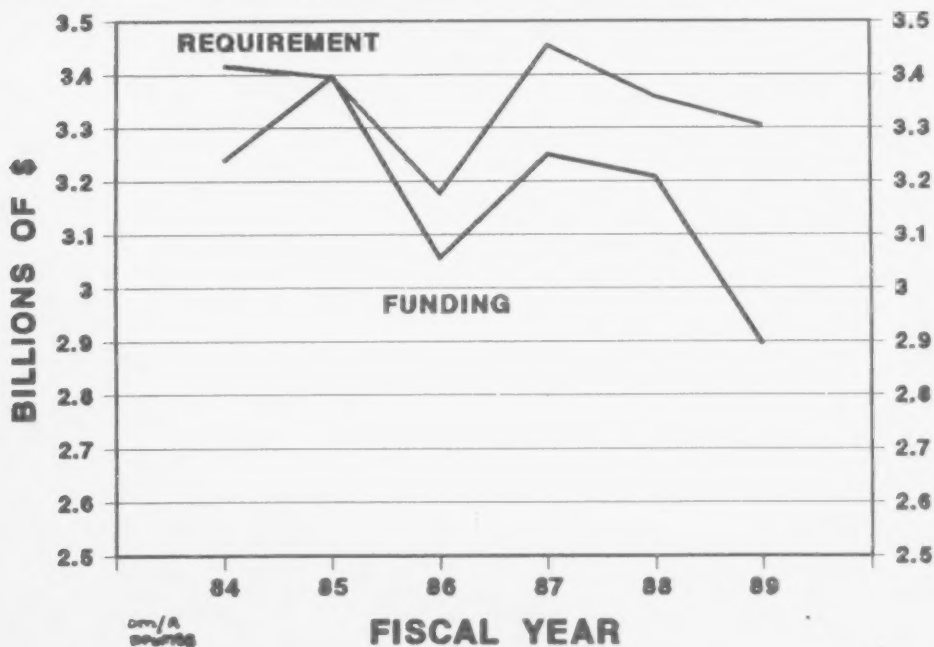
AIRCRAFT REPLENISHMENT SPARES FY88/89 PRESIDENT'S BUDGET REQUIREMENTS & FUNDING



FY88 IS 52% FUNDED; FY89 IS 45%



DEPOT MAINTENANCE



The fiscal year 1988-89 procurement request for conventional ammunition is reduced by 1 percent or less from last years budget. It remains almost constant

through fiscal year 1990 when it shows a projected increase for fiscal year 1991 and fiscal year 1992.

PROCUREMENT OF AMMUNITION ARMY ACCOUNT

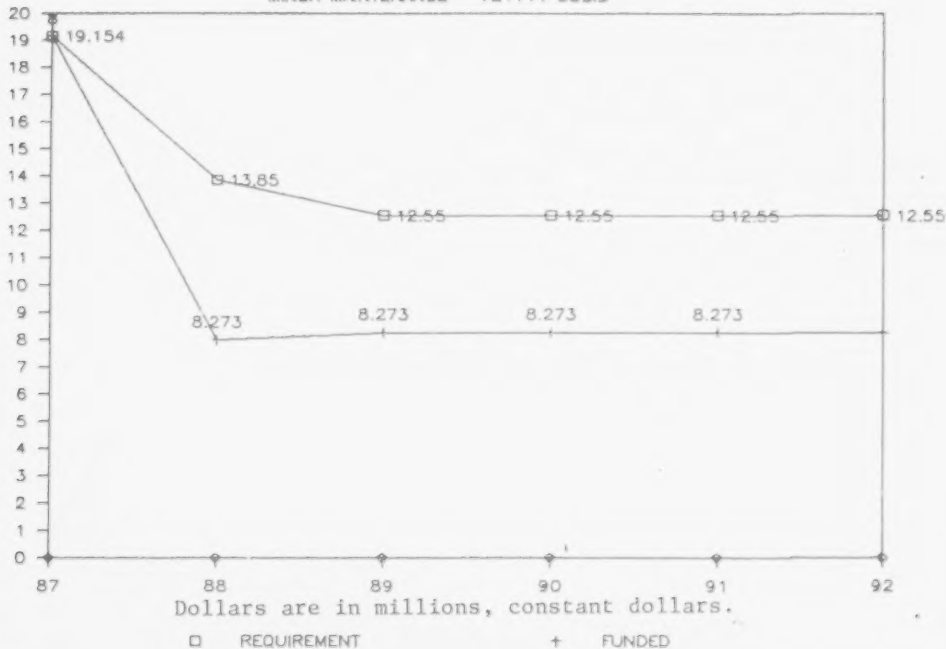
(In millions of constant dollars)

	Fiscal year—						
	1986	1987	1988	1989	1990	1991	1992
Fiscal year 1987 President's budget.....	2,497.2	2,254.0	2,424.0	2,289.9	2,337.4	2,398.7	
Fiscal year 1988 President's budget.....	2,335.3	2,127.2	2,194.3	2,194.8	2,115.6	2,572.7	3,057.5
Difference.....	-161.9	-126.8	-229.7	-95.1	-221.8	+174.0	

Ammunition minor maintenance includes Care of Stocks in Storage (COSIS). The SMCA performs minor maintenance for DOD military services on a common service basis. Minor maintenance services projected through fiscal year 1992 are shown below.

CONVENTIONAL AMMUNITION - P7S

MINOR MAINTENANCE - 721111 COSIS

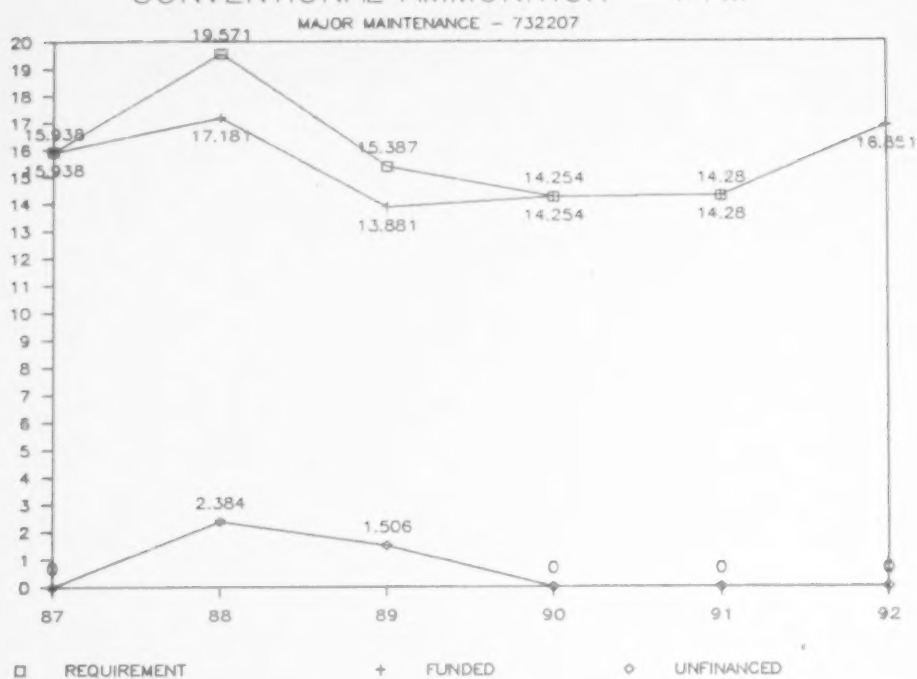


The projected funding shortfall requires judicious use of priorities, periodic program reviews, and frequent communications between the military service customers and the SMCA. While stocks requiring minor maintenance are often shootable, there are effects upon longterm storage plans which can affect readiness. We anticipate minor maintenance backlog to grow by about 13.5 short tons per year thru fiscal year 1992 at this funding level.

The Army, acting as the Single Manager for Conventional Ammunition (SMCA) performs ammunition maintenance for all DOD military services. This work is divided into major and minor maintenance. Major maintenance includes renovation and reconfiguration of unserviceable stocks. Each of the military services funds for major maintenance of its stocks performed by the SMCA.

The chart below depicts the Army's ammo major maintenance program.

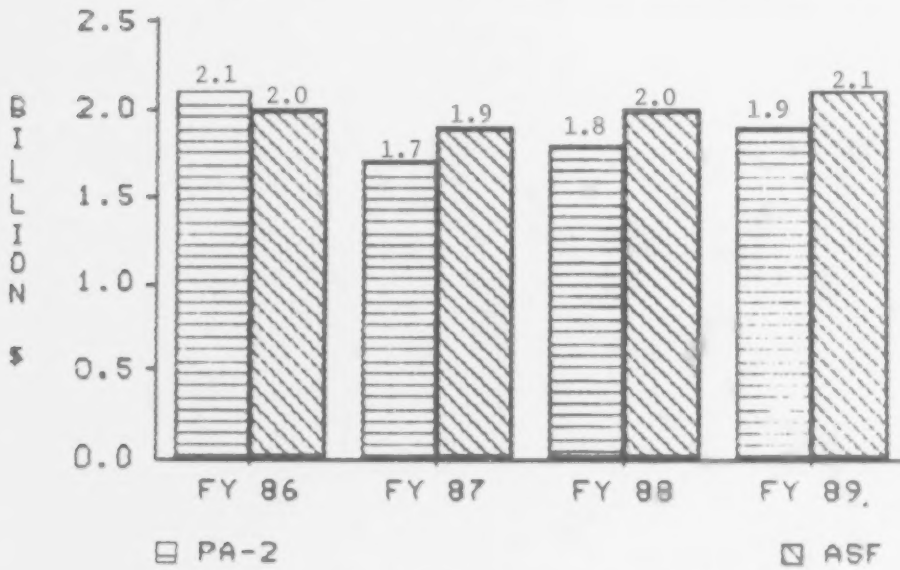
CONVENTIONAL AMMUNITION - P7M



Dollars are in millions, constant dollars. There are major maintenance funding shortfalls in both fiscal year 1988 and fiscal year 1989 but the funding problem is overcome by the end of fiscal year 1990.

The Army budgets to achieve its objective of 85 percent stock availability for replenishment spares.

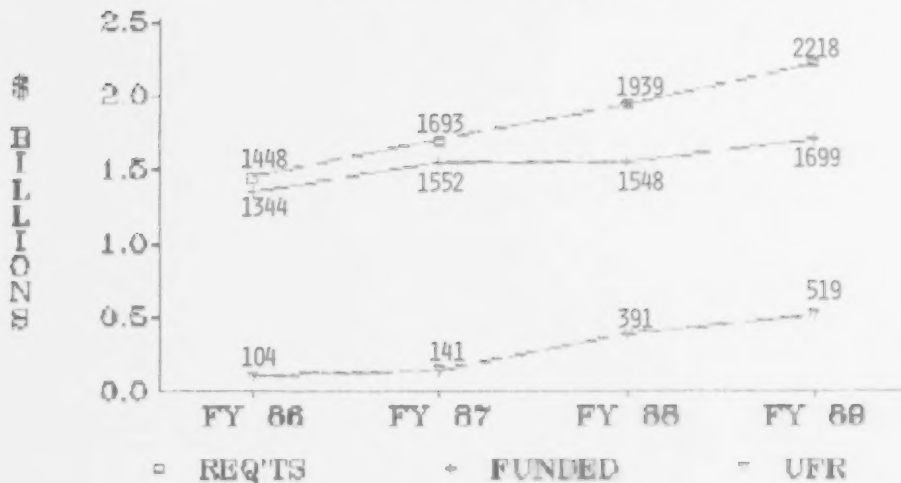
SPARES REPLENISHMENT PROGRAMS (FUNDING TO ACHIEVE 85% AVAILABILITY)



FY 88 and FY 89 dollars are inflated.

The Army's unfunded depot maintenance backlog will reach \$391 million in fiscal year 1988 and \$159 million in fiscal year 1989.

DEPOT MAINTENANCE PROGRAM MATERIEL MAINTENANCE



FY 88 and FY 89 dollars are inflated.

The backlog of maintenance and repair of real property (BMAR) provides some indication of the state of Army facilities; however, within AMC the true condition of

facilities is overstated if BMAR is used as the only indicator. The main reasons for this is the fact that to be listed as BMAR, a project must first be programmed for accomplishment in a specific fiscal year. When not completed due to lack of resources, that project is then listed as BMAR in the next fiscal year. When program guidance indicates increasing funds for real property maintenance, more projects are identified for accomplishment. The inverse is also true. Thus the dollar amount of reported BMAR understates the true BMAR.

For AMC, the below indicated BMAR is as reported in the Facilities Engineering Technical Data Report for fiscal year 1986 and then as estimated for fiscal years 1987 and 1991. The estimated BMAR is based on funding levels projected in the fiscal year 1988/89 budget submittal and the assumption that 100% of all annual recurring requirements as Government Owned-Contractor Operated facilities would be funded resulting in no BMAR growth at these installations (31% of AMC's building space). Each annual total includes \$91.1 million for active installations.

AMC Consolidated BMAR, Constant Year Dollars, Millions—fiscal year 1986, 311.6; fiscal year 1987, 352.4; fiscal year 1988, 360.7; fiscal year 1989, 374.0; fiscal year 1990, 383.7; fiscal year 1991, 387.5.

Senator DIXON. Yes, if you would be so kind. If you could, by say, the second week in April, a timeframe or a deadline, say the middle of April. We go to mark-up late April. Get us all that you can to fortify our concerns, so that we can articulate these concerns in the subcommittees and ultimately in the committee, it would be greatly appreciated.

General O'LOUGHLIN. We would be more than glad to.

Senator DIXON. Senator Levin.

Seantor LEVIN. Thank you, Mr. Chairman. The point which the chairman made about the wrong direction in which we are heading is in an environment of a 3 percent real increase in the budget each year. So although the budget that has been submitted to us assumes a 3 percent real growth, we see in the areas of depot maintenance, real property maintenance, spares, in many instances, a number of ammo accounts, a lot of aircraft accounts, movement in the wrong direction in an environment of growth, real growth.

So that while we can talk all we want about the overall number being critical, we also have to focus on the priorities within the budget. It seems to me that is the issue we have to face. We have a constrained environment, we know, where there is going to be zero real growth, 1 percent real growth, 2 percent real growth, or real cuts. Whatever it is, it is constrained, we know that. We can not simply say look, we do not have enough overall, that is the reason why this is happening. In fact, this is happening even with 3 percent real growth.

We have just looked at today an assumption of 3 percent real growth in the Defense budget. General, are you trying to get a word in edgewise?

General BURBULES. In the area of depot maintenance, I would point out that in 1986 we had a funded program of \$1.334 billion, and in 1989 it was funded at \$1.699 billion. So there is in fact real growth, the Army is trying to put more money into depot maintenance.

The problem, and this is where we need your help, is the massive force modernization. It is building up our strength. But when these new tanks and new helicopters start to get hours and miles on them, they are going to require more maintenance in the out years. So this modernized force is going to drive our maintenance cost up. So we need your help, to sustain and support them.

Not just in buying the major items, but, as they require overhaul, and rebuild and repair and so forth, the bills are going to climb, and we need your help there.

Senator LEVIN. That is in significant measure a priority decision on our part, as well as it is on the DOD's part. As to where we put our part, our eggs, as to whether we are going to do all this modernizing, and then not put the money in there to sustain it, maintain it, seems to me to be the issue.

Your figures are correct. It is also correct, I think you would say, that we are dropping from 99 percent down to 77 percent. So, while dollars have gone up, the requirements have gone up also. In terms of percentage, the requirement being met, we are going significantly in the wrong direction.

General BURBULES. Yes, sir.

Senator LEVIN. There is no use buying equipment that you can not maintain, right? It is just not buying it. In fact it may be worse. It is worse than not buying it, because you already spent the money, wasting money to buy equipment and not maintain it.

General BURBULES. Yes, sir.

Senator LEVIN. Are you able to tell us what is not going to be funded for maintenance in 1988 and 1989?

General BURBULES. Not in specific items, sir. We will give priority to repair secondary items, in other words, engines, transmissions, as opposed to major end items. For example, we will just put off repairing old trucks. So the impact that will be felt in the Army is delaying overhaul of items that are well past the time when they should have been brought into the depot, and stripped down to the frame, and built back up. So, we might be paying the same cost in another way, through consuming repair parts in doing what we can, patching up out in the field, as opposed to bringing them into the depot.

But the impact will be mainly on major items. We should be able to take care of the secondary items pretty well.

General O'LOUGHLIN. Our philosophy is the same with the Air Force.

AIR FORCE DEPOT MAINTENANCE

Senator LEVIN. General O'Loughlin, back to you for a moment. There has been an increase, since our hearing a couple or weeks ago, in the budget for Air Force depot maintenance, the one that I referred to before, I think \$88 million. Where in the O&M accounts was that taken from? Where did it come from?

General O'LOUGHLIN. In 1988, roughly \$9 million came from aviation POL. In 1989, \$8 million came from there. In 1988, BOS or Base Operations Support in Major Force Programs one, two, and seven. We took \$36 million in fiscal year 1988. Space shuttle operations, \$10 million in 1988 came from that. \$14 million from real property maintenance by contract, reclassified some military family—I am sorry, MFP-4, SOF, DPEM requirements, extended them \$14 million, and some chembio equipment, \$5 million, for an \$88 million. That is where we got the \$88 million.

Senator LEVIN. That was all done in a matter of weeks after the budget was submitted, right?

General O'LOUGHLIN. After the 5th of January, we submitted the budget and then we were still not satisfied. But the fact that we were unsatisfied does not keep us from working the problem.

Going back to OSD, we collaborated on this, and those were the figures that we were about to come up with at this point.

Senator LEVIN. Were those needs real needs, those other ones, or was that fat, those other accounts?

General O'LOUGHLIN. On a priority system, that is where it came from, figuring that—we will either defer that—it is not fat. It is something we will have to put back in, yes sir.

Senator LEVIN. So we robbed other accounts?

General O'LOUGHLIN. Yes, sir.

Senator LEVIN. My time is up, thank you. Could I ask one additional question?

Senator DIXON. Please.

Senator LEVIN. General Burbules, in your statement, you indicated that the maintenance support activities remain significantly unfunded each year. Well, you have already answered that, I think, for the record, that you are not able to give us the specifics.

READINESS BACKLOGS

I did ask one question—I was not sure what the answer was before, and that is the impact of the backlogs in readiness.

Let me go to you, General O'Loughlin. I did not understand your answer on that.

General O'LOUGHLIN. Impact of the backlog on readiness ratings, I guess—it is the same as General Burbules said with trucks. We do not do the whole truck. We will only do the parts necessary to keep it going. We will postpone the overhaul. Now that pushes a bow wave out into the out years. If I do not get to it in 1989, I am going to defer it. I am going to have to get to those programs eventually in the 1990 timeframe.

It is like pay now, or pay me later. It is like the oil filter man.

Senator LEVIN. What is the effect on readiness ratings?

General O'LOUGHLIN. The effect on readiness ratings will probably be in the exchangeable area initially, and that is, where your inventory will go down as a result of not having the bits and pieces to put in there. That is where you will notice it first. The aircraft will be, we will maintain that aircraft in a flyable condition.

The problem is that our systems will start to show the wear. And the readiness rate will show up there, probably by, could be, increased cannibalizations will be one of the first things, longer mission capability down time, and just more help by the unit to keep that thing going.

Then we will have to specify where we shift our workload in the depot if we have a problem, which creates a little turmoil at the same time.

Senator LEVIN. Thank you, Mr. Chairman.

ARMY FLYING TIME

Senator DIXON. Thank you, Senator. General Burbules, a couple of years ago, the Army told us they couldn't increase their flying hour program because they did not have enough spare parts.

Are these reductions we are seeing here in spare parts going to be reductions in Army flying hours next year, or in the years to come?

General BURBULES. The Army would like to get flying hours at 20 hours per month per crew.

But I think to some extent, the decline in repair parts you see is due to the fact that Congress or OSD reduced our flying hours from our requested 20 hours down to around 15.8 hours per crew per month.

As a result, that means less time on the airplane. That means fewer spare parts. I sort of answered your question backwards. We like to be able to fly our crews 20 hours per month. We think they need it in order to be ready.

But frankly, sir, all we can afford right now, based on the guidance we got, is 15.8 hours per month which, I think is the average number.

Senator DIXON. Senator, do you have any more questions in the open session before we close this?

Senator LEVIN. No.

Senator DIXON. I am wondering whether General O'Loughlin and General Burbules, you could accommodate by seeing that your end of the room is secure. We will do the same here. We will have a closed session briefly. You will be out of here, I think, well before 4 o'clock.

[Whereupon, at 3:25 p.m., the subcommittee adjourned and reconvened in closed session.]

EXECUTIVE SESSION

The subcommittee met in executive session, pursuant to notice, at 3:26 p.m. in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senators Dixon and Thurmond.

Staff present: Robert E. Bayer, John J. Hamre, George K. Johnson, Jr., Ronald P. Kelly, and David S. Lyles, professional staff members; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon; and James R. Sayer, assistant to Senator Wirth.

Senator DIXON. Would you look at this chart. [Chart deleted.] This is tactical forces sustainability. And as you can see from that chart, once again the problem we face here is beginning about now you see the reductions starting on a downward path, to the extent that by 1991—and I might use some of this in our open session without referring to the numbers—we get into a position that is a worsened position vis a vis 1983.

Would you say that that is substantially true from the sources that you have as well?

General O'LOUGHLIN. Sir, I know that is a prediction that has been made based on, there again, defense guidance and what the priority probably will be today. I would say that—and I am sure it encompasses what is happening to strategic modernization, the largest since Curt LeMay's days in the fifties.

Those kinds of things, TAC forces in the defense guidance, needless to say are below the strategic forces, and they will be funded

proportionately. These particular figures are—I do not cast any reflection on the authenticity of them or anything. I know they are made up as a wag as to what the requirements are as we know them.

But I would say to you that they are changeable, that as we buy and order quantities better, if we are funded in peacetime and we do not incur additional inflation rate that starts taking us down, as we were heavily in the early eighties, than a lot of that money will roll over and these figures will change.

They will go up, probably, because a lot of the things that we are doing—and the payoff that is not cranked into this is we cannot bet on reliability and maintaining the modernization that will help us in that particular timeframe.

But I will give you a good example. The F-111 avionics modernization program that we just put in the airplane, and I delivered the first one in December myself. We tested that airplane for reliability maintainability of four times the present system rate.

And we were asking to get 19.2 hours roughly out of the system, the FB-111. In the test program at Sacramento, we actually achieved 23 point some odd hours. What we are experiencing in the unit when they start to tweak the airplane was 27 hours for that total weapons system.

Now, obviously there is a savings in there that would apply to some of these kinds of things. That is happening across the board with this new technology, and if you look at the size of the fleet of the F-16 as it grows, the phasing out of the F-4D, which is a high consumer of parts, then I would say that those factors after the 1989-90 timeframe are fuzzy.

And we will have to come back and constantly readjust those things. Technology is the key with reliability and maintainability.

The funding that we have had is bringing us new capabilities along with our logistics modernization program. That is in the requirements data bank, which is a more accurate method, rather than the stubby pencil way that we had, of determining how many parts we needed. We now have actual usage through competitive flyoff, and those programs, well funded by Congress; and we are going to have much more capability to refine our requirements than we have ever had before.

It is state of the art and it will bring the Air Force Logistics Command into the 21st century. So while the trend is down, and I agree with you, if we were to actually do that, yes, we would have serious readiness problems. But I am a little bit more optimistic than that from the standpoint that all the good things that are coming down the stream to cope with.

And that is not in any way to whitewash the issue here.

Senator DIXON. Now, all of the CINCs expressed concerns about all of these matters with us when we dealt with them last week, naturally: the spare parts, the ammo, the depot maintenance, real property maintenance, quality of life concerns, and a variety of other things.

Are you satisfied, may I ask you, with the type of prioritization that is being used in your branch of the service with respect to the requests that are brought to us here in the Congress?

General O'LOUGHLIN. I am satisfied with our priorities. I am not satisfied with the amount of funding that we get per line, not if it was not 100 percent. I would never be satisfied.

But I think that we have experienced excellent administrative funding through the help of our committee and what have you. We have made strides that I hope we never have to sink to from the past, by way of the overall in-commission rate and the kinds of things we experienced in 1979 and 1980.

We are riding a very high mission capable rate right now, the highest ever, and we have got to do what we can, we have got to do whatever we can to maintain that baseline. And realizing the facts of life with Gramm-Rudman, with deficit spending, with all the things this Nation faces, we have got to do more with what we have, and that is what we intend to do.

I am not dissatisfied with the priorities as such, I may be dissatisfied with the bow wave that we are pushing if we do not get funding.

Senator DIXON. I want to ask General Burbules the same question. Then I want to yield to my distinguished colleague, who has served so many years on this committee and is such a well informed member.

But may I ask you, General Burbules, could I ask you that same question: Having in mind what is happening with the Apache, having in mind all the depot maintenance, real property maintenance, ammo, spare parts problems that the Army has, reductions in the Bradley and a lot of other things, are you satisfied with the prioritization?

General BURBULES. Yes, I think our priorities are right on the mark. Again, the Army, the three military departments, got the smallest TOA, and we are doing the very best we can to solidify and in fact expand our force structure to meet the threat, which is very grave.

And to the extent that you can help us with expanded total obligatory authority for the Army, we would be most appreciative.

Senator DIXON. Senator Thurmond.

Senator THURMOND. Thank you, Mr. Chairman.

General O'Loughlin, we are glad to have you and General Burbules here today, and thank you for your testimony. I just have two or three questions.

General O'Loughlin, you point to some significant increases in the expenditures for F-15s F-4s, and B-52s to improve their readiness between 1980 and 1986. Why did the Air Force fail to fund the needed increases in the readiness and sustainability accounts for special operations aviation until the Congress pressured the Air Forces into doing so?

General O'LOUGHLIN. What was that sir? Why did we fail to—

Senator THURMOND. Why did the Air Force fail to fund the needed increases in readiness and sustainability accounts for the special operations aviation assets until the Congress pressured the Air Force into doing so?

General O'LOUGHLIN. I did not have anything to do with that, I am sorry. I can probably get an answer for the record for you for that, because the special operations forces that you referred to, we right now are in the—have designated Warner-Robins the Air Lo-

gistics Center to work very hard with the forthcoming reorganization of the special operations forces.

We think we have the right management decision on that at this time. As to the policy of sustainability for those forces, there again, it follows the priorities in the defense guidance.

When we get down through the strategic modernization and the strategic airlift and the tactical assets and capabilities, then some of those programs are funded at a lesser amount if we do not have enough to go around.

And that is about the best way I can answer it right now.
[The information follows:]

FUNDING OF SOF READINESS SUSTAINABILITY

Recent increased emphasis by the Congress has been helpful in focusing the national commitment to special operations that has permitted the Air Force to realign resources for these requirements. The Air Force has conducted several intensive reviews to determine the specific areas requiring increased attention which established the need for various SOF readiness and sustainability improvements. We have reorganized our SOF logistics management structure to provide enhanced SOF readiness and sustainability. As we have recognized and identified specific requirements, we have provided the increased funding needed. Actions have been taken to improve SOF manning, spares, repairs, and support equipment. Continued Congressional support is needed to ensure funding levels remain adequate for our support of SOF, while the Air Force to ensure all programs of critical national interest are afforded the same resolve.

Senator THURMOND. Are you satisfied with the situation as it is now?

General O'LOUGHLIN. I am today, sir. Your added emphasis on it obviously has put the right emphasis on it, the special operations forces and the new forthcoming Special Operations Forces Command. We have got some very good acquisitions being made for the proper aircraft to do the proper job, and I know our Chief is dedicated to going that.

Senator THURMOND. General O'Loughlin, you have supplied us with information concerning the improved mission capable rates in the Military Airlift Command. What improvements have been made in the mission capable rates for special operations aircraft?

General O'LOUGHLIN. We have new aircraft on the board. This is classified, by the way.

Senator DIXON. We are in classified session.

General O'LOUGHLIN. We have new aircraft that are out there in acquisition for special forces. We have the Talon 2 program and the C-130s that we put a lot of resources into baselining that airplane and bringing them all in under Warner-Robins again.

I believe we are going to have a better handle on it under the new organization, sir, than we have ever had before. A good example is the capabilities for the C-141 that we are working down at Charleston to get them the best kind of equipment for night black-out landings and the kinds of communications equipment that they need. That is full-bore, using special operations procedures, and that is special acquisition procedures, without having to go competitively out there and dancing it through that mill.

But we are going sole source where need be, driving the price down, and we are going to get them some real capability.

Senator THURMOND. General Burbules, in your prepared remarks you indicate that the Army is making combat equipment serviceability rates at or near 90 percent. The Army, however, is funding depot maintenance at 79 percent of the requirement in 1988 and 78 percent in 1989. At what levels should depot maintenance be funded for the remainder of the 5 year defense plan?

General BURBULES. I am sorry, sir. My statistics go out through 1989. May I furnish those statistics for the record?

Senator THURMOND. You want to furnish that for the record?

General BURBULES. Yes, please.

[The information follows:]

General BURBULES. Insert for the record indicates a revision to the funding of depot maintenance to 80 percent in fiscal year 1988 and 77 percent in fiscal year 1989.

The Army is not comfortable with the present budget funding levels. This funding reflects the affordability considered in an austere fiscal environment. Ideally, we would like to be funded at or near 100 percent. It is my subjective opinion that because of inadequate Total Obligation Authority provided to the Army, the funding for our 5-year defense plan is too low, even though we plan to achieve 90 percent funding of requirements by fiscal year 1992.

Senator THURMOND. General Burbules, what effect will this depot maintenance funding profile have on serviceability rates?

General BURBULES. It is difficult to say or project at this time. As I indicated in my earlier testimony, the impact will be on major items coming back—I should say, not coming back, for overhaul. We will continue to the best of our ability and probably be able to take care of most of the secondary items maintenance, in other words rebuild the engines, rebuild the transmissions, and send those back into the field.

But I think the impact will be felt, in time, on the major assemblies when the mean time between failures is so low that the troops just do not drive them any more, they park them. And what those impacts are, sir, is difficult to foresee at this time. Whether readiness will drop down to, say, 88 percent, it is totally impossible to project.

There will be an impact. We do not know when and how big it is going to be.

Senator THURMOND. My time has expired. Mr. Chairman, I might ask, if I could ask, do you have anything that you would like to bring to the attention of the committee that has not already been brought out in your testimony?

General BURBULES. Not I, sir.

General O'LOUGHLIN. I might say to you, sir, just in reference to your first question on, "are we putting enough assets and resources to the SOF", there has been a significant improvement in the reliability of some of those SOF mission systems in the last 2 to 3 years. But the permanent solution, though, lies in the integrated package of actions and modernization programs that I referred to that are now being conducted with the Air Force Logistics Command and the Air Force Systems Command.

Approximately \$5 billion will be invested in a major SOF modernization program for the next 5 years. And primarily, at Warner-Robins, we have dedicated 100 people down there to work the special operations forces requirements, and we will reorganize them to where they are unique to the SOF mission.

And I believe that aggressiveness on behalf of our commands is going to solve many of the problems that you have concerns about.

Senator THURMOND. I want to thank you both for your testimony.

Thank you, Mr. Chairman.

Senator DIXON. I want to thank you, Senator Thurmond.

Gentlemen, we are almost finished here. I wanted to conclude with a couple more questions. And of course, if Senator Thurmond has more he is welcome to ask them.

I am a little bit in doubt about whether the two of you disagree on a fundamental question or not, and I would like to pursue that a little bit. General Burbules, if I understood General O'Loughlin—and he may want to correct this—I thought he said that he believed that the overall maintenance and repair requirements will level off or decrease as more modern equipment enters the forces. I thought that is what he said. He may want to correct it. I got the impression that you said, however, that more modern equipment like the M-1 tank will significantly increase the Army's requirements.

So I am trying to figure out, why is there a difference in your views on the impact of new equipment? Does modern equipment increase or decrease maintenance requirements or is there a difference? Have I perceived this in a wrong way? I wonder if each of you would care to make a record on that for me.

General BURBULES. I will volunteer to go first. The answer is yes to both. The equipment is more complex. Both of us, the Army and the Air Force, are now moving up reliability, availability, and maintainability as very top level items of concern in source selection of the new systems that we buy.

So the equipment will be more complex and consist of more components, to rain heavier firepower on the enemy. And there is no free lunch.

Senator DIXON. When you testified, I got the impression that that is exactly what you were saying, that all the modernization we have invested in over the years—and I have been for that and my colleagues voted for that, and it was necessary.

I got the impression that you were saying that all that modernization has aggravated the problem with respect to these declining scale charts on spare parts and other things.

General BURBULES. There are more things that need to be repaired. But we are trying to reduce the mean time between the failure of those things that we are buying. So one will tend to offset the other.

And also you will notice that the Army is going up an additional two divisions, increasing our force structure, which is going to increase our maintenance requirements.

Senator DIXON. In all fairness to you, General O'Loughlin, have I mistook what you said?

General O'LOUGHLIN. No. With technological advancement, the F-16, you know, is running well over 90 percent mission capable. We have never had an airplane that came in as high.

As we phase out 30 year old airplanes, early retirement of B-52Gs, F-40s, out of the inventory, those are high consumers of parts and time. And we are looking for reliability, maintainability

at the same time that we put into some of those older weapons systems to improve that total program, and our requirements should go down.

Now, there is another——

Senator DIXON. At the same time, you need parts for the new equipment.

General O'LOUGHLIN. The technology brings in a requirement for asset capitalization to be able to take on those new repair capabilities. So there is an offsetting balance there.

Senator DIXON. I understand. I think I see what you are saying.

Now, the older equipment requires more attention, you are saying?

General O'LOUGHLIN. More labor intensive.

Senator DIXON. And at the same time, the new equipment, you are saying, General Burbules, and that is accurate as well, also requires its support systems. And perhaps we do not buy them in sufficient quantity when we modernize and put a new piece of hardware in the field; is that what you are saying?

General O'LOUGHLIN. The other aspect to that is you buy a new F-16, it flies six times a day. The F-4 flies twice. You have more capability and you exercised it. That takes parts so that is a wash there back and forth. You go down one side and back up on the other.

Senator DIXON. But you are not in fundamental disagreement?

General O'LOUGHLIN. No, sir.

General BURBULES. No, sir.

And in the Army—I do not know what the situation is in the Air Force—the Reserves and National Guard have been without some key equipment for years. And the modernization of the Active Forces allows us now to realign some of the older things, like the M-60 tanks, into the National Guard and Reserves, and they do not go away. Now they have a newer tank instead of their old M-48 tanks. They are driving these, and these older systems, although they are leaving the Active Army, are still being used in the National Guard and Reserve, and they add to our maintenance burden.

And so we have gotten in the new systems, and the old systems are still there also to be repaired. So that is another thing that tends to drive up our maintenance bill.

Senator DIXON. I am not going to go to the trouble of taking your time to put this chart back up again. You remember this secret chart. Do you have the same one?

General O'LOUGHLIN. Yes, sir.

Senator DIXON. The question I have is if we fully funded the spares requirement line on this chart, does the Air Force have enough preferred munitions to carry out all these tactical sorties?

General O'LOUGHLIN. If you will give me a second.

[Pause.]

Let me give you the best that I can on that, sir.

What we have done here—and if I am addressing your question properly, I think there were three areas that were of concern. One is training, one is war reserve. Well, that is the two that I am familiar with.

And it shows a 12 percent decline in training, and some of the reasons for that, in the munitions business. Even though it is a 12 percent decline in the out years, we still have enough money for 100 percent of that requirement. It is just a decrease in the training required, and then——

Senator DIXON. We have the necessary munitions if we replace the parts?

General O'LOUGHLIN. There are savings there through new pricing and what have you. Now, there are some changes to weapons systems, and I am not a munitions expert, but what we have got basically——

Senator DIXON. Did you say if we funded the spares requirements on that chart you would have the preferred munitions to carry out the tactical sorties?

General O'LOUGHLIN. I am led to believe that if we—at the present funding of the munitions and spares, we would have 4,500 sorties of preferred munitions in the 1988 budget. Munitions is a tricky thing because the preferred munitions may change due to the type of target. There is fuzz in there.

I would be more than glad to give a briefing, certainly, on that subject, without any problem.

Senator DIXON. If you could enhance us with respect to that inquiry by some kind of a written response.

General O'LOUGHLIN. We will submit it for the record, a briefing on that.

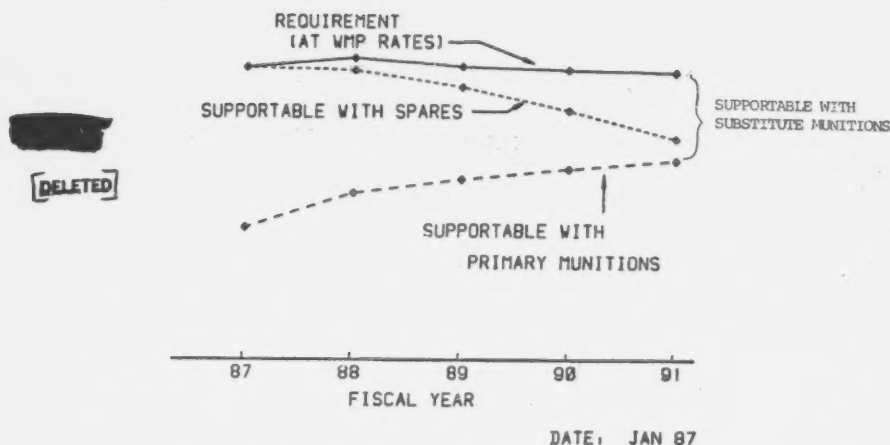
[The information follows:]

SPARES AND MUNITIONS FUNDING

The Air Force does not have the preferred munitions to carry out the tactical sortie requirement that are supportable with aircraft spare parts. However, the remainder of the requirement can be supportable with substitute munitions.

The attached chart represents a consolidated picture of programmed/funded munitions and aircraft spares to support the projected tactical fighter forces. The requirement line shows the cumulative number of tactical fighter sorties for the [deleted] of a global war at War and Mobilization Plan (WMP) rates. It excludes the RF-4C and EF-111 sorties (non-munitions carrying). The Bottom dashed line represents the number of sorties supportable with preferred munitions based on funding through fiscal year 1989. The middle dotted line shows the number of sorties supportable with aircraft spares. The total tactical fighter sorties requirement can be supported with substitute munitions.

TACTICAL SUSTAINABILITY
(SPARES AND MUNITIONS)



Senator DIXON. Senator Thurmond, do you have any other questions?

Senator THURMOND. I have no further questions.

Senator DIXON. I will just ask you in closing, General Burbules, what will the Army's days of supplies of modern conventional munitions look like over the course of the current 5-year defense program? And then I will have one more general question for the two of you, and then I think we can conclude, unless Senator Thurmond has further questions.

General BURBULES. I will give it to you in two categories, sir. The days of supply of preferred types of ammunition—in other words, those most modern, most lethal, most capable; for example, the Army's dual purpose improved conventional munitions, 155 millimeter rounds, M483A1, is filled with 88 little bomblets. It is very lethal.

If we do not have that, then we shoot the old high explosive-filled fragmenting case round, the M107. So we would like to have preferred munitions and where we do, it would optimize our combat capability, but substitutions, with older, less capable types, do fill some of the shortfall.

In fiscal year 1987, for the preferred, this is without missiles, and without Ammunition Initial Issue Quantity (AIQ), we have [deleted] days of supply on hand for the preferred type of conventional ammunition, and with substitutions [deleted] days.

And for fiscal year 1988, we will have [deleted] days on hand; with substitutions, [deleted]. In 1989, [deleted] days preferred and [deleted] with substitutions. In 1990, [deleted] days preferred and [deleted] days with substitutions. In 1991, [deleted] and [deleted]. Finally, in 1992 we should have [deleted] days supply on hand in the preferred type and [deleted] days supply on hand with substitutions.

Senator DIXON. You even gave me an extra year. I got that one for free.

Let me ask you both this. General O'Loughlin observed in his statement: "A logistics miscalculation today is tantamount to a readiness and sustainability problem tomorrow." My final question for both of you this afternoon is this: Does not this budget contain some of these logistics miscalculations in the areas of spare parts, depot maintenance, and ammunition that are going to cause readiness and sustainability problems tomorrow?

General BURBULES. I would not characterize it as miscalculation. I would say that it was, very coldly and rationally calculated, based on all the claimants of our total obligational authority. The decisions, I am sure, were not easily made by my superiors as they worked deep into the night and with great concern.

I would say to characterize them as a military miscalculation would be wrong. I think they are a fact of life.

Senator DIXON. Perhaps that statement of miscalculation is harsh. Let me withdraw that, because I do not think anybody over there purposefully miscalculated. So let me rephrase it to say that, is it not apparent here that on the spare parts, depot maintenance, ammunition and other things, that we are clearly encountering these shortfalls, that in the terminology of General O'Loughlin is tantamount to a readiness and sustainability problem tomorrow in those out years? Would that seem fair to you, General O'Loughlin?

General O'LOUGHLIN. Yes, sir.

Senator DIXON. I think you are correct in pointing out the use of that terminology.

Senator Thurmond, do you have any further questions?

Senator THURMOND. That is all. Thank you, Mr. Chairman.

Senator DIXON. Well, I want to express to you, General O'Loughlin, and to you, General Burbules, the deep appreciation of this subcommittee for your forthrightness and your cooperation. And we thank you for giving part of your valuable time to this subcommittee.

General BURBULES. Thank you very much. We appreciate your continued support.

Senator THURMOND. And hold out until you get the spare parts you need.

Senator DIXON. The subcommittee meeting is adjourned.

[Whereupon, at 3:55 p.m., the subcommittee was adjourned.]



**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEARS
1988 AND 1989**

TUESDAY, MARCH 17, 1987

**U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
ARMED SERVICES COMMITTEE,
*Washington, DC.***

**DEPOT MAINTENANCE SUPPLY AND SPARE PARTS
PROGRAMS**

The committee met, in open session, pursuant to notice, at 9:30 a.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senators Dixon, Bingaman, Wirth, Warner, Thurmond, and Humphrey.

Staff present: Robert E. Bayer; George K. Johnson, Jr.; Ronald P. Kelly; David S. Lyles; professional staff members; Mary J. Kampo, staff assistant.

Also present: Greg Weaver, assistant to Senator Levin; Charles C. Smith, assistant to Senator Dixon; James R. Sayer, assistant to Senator Wirth; William J. Wight, assistant to Senator Warner; and Alan Ptak, assistant to Senator Gramm.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. Ladies and gentlemen, I understand that Admiral Hughes is on his way. I am sure he will be here shortly and, from time to time, other Senators will be drifting in as well.

The Subcommittee on Readiness, Sustainability, and Support meets this morning to continue our hearings on the fiscal years 1988 and 1989 Defense authorization request. This is our second hearing with the senior logistics commanders of the Department of Defense. These commanders are responsible for ensuring that weapons systems are overhauled on schedule, and that the spare parts for peacetime and wartime operations are on the shelves when and where they are needed.

Vice Adm. T.J. Hughes, Jr., is the Deputy Chief of Naval Operations for Logistics; Lt. Gen. J.J. Went is the Deputy Chief of Staff for Installations and Logistics for the Marine Corps; Lt. Gen. Vincent Russo is the Director of the Defense Logistics Agency.

Gentlemen, we welcome you to the subcommittee. We appreciate very much your being here this morning. Your full statements will

of course be included in the record. We will have questions after you have given your oral testimony.

We will reserve time at the end for a very brief closed session, gentlemen. If any of the questions require classified answers, we will defer them until the closed session. OK? And I will depend upon you gentlemen to clear your side of the room, and we will clear this side of the room.

Let me say to you that I also have an important Banking Committee meeting this morning on a piece of legislation I am sponsoring, so I will temporarily have to leave here very briefly when you start your testimony. I am going to ask Senator Wirth to accommodate me. He has been very kind to indicate that he will chair. I am going to leave forthwith, I think, but would you gentlemen be kind enough, please, to insert your statements in the record. One in particular was quite lengthy, and if you could try to limit your remarks to about 10 minutes I would appreciate that very much.

Good morning, Admiral.

Admiral HUGHES. My apologies, sir.

Senator DIXON. Not at all, Admiral. I see you have got something to slow you down there a little bit [referring to crutches]. But we just went ahead because I have to go to another committee, and my good friend Senator Wirth is going to chair this.

What I have said, briefly, Admiral, is if the three of you would be kind enough to place your statements in the record, we like to keep the remarks limited to about 10 minutes, if you would do that please, and then Senators will be drifting in from time to time asking questions.

I will ask that you all excuse me for about 30 minutes while I go to another committee meeting, and as you proceed in whatever order Senator Wirth indicates, I appreciate your accommodating us by limiting your remarks to not over 10 minutes. Thank you.

Senator Wirth, would you chair this subcommittee hearing in my absence.

Senator WIRTH [presiding]. Gentlemen, I would join with Senator Dixon in welcoming you and thanking you very much for being here.

As you know, there are a series of hearings going on of the various subcommittees across the full committee this morning as we are preparing ourselves for the markup of the authorization bill. Your testimony will be very helpful.

Perhaps we might start with Admiral Hughes, if you might want to proceed in whatever way you think would be appropriate.

Without objection—and of course there will not be any because there is nobody else here at the moment—your statement will be included in full in the record, and let us proceed with you, Admiral.

Thank you very much, and I hope you are healing quickly.

**STATEMENT OF VICE ADM. T.J. HUGHES, JR., U.S. NAVY DEPUTY
CHIEF OF NAVAL OPERATIONS FOR LOGISTICS**

Admiral HUGHES. Thank you very much, Mr. Chairman.

I am grateful for the opportunity to appear before you and to report the level of readiness and sustainability of our Navy today,

and specifically to address the points covered in your February 6 letter to me.

While we have rebuilt our forces toward the 600-ship Navy goal, we have simultaneously achieved substantial increases in our ability to go to war today and to sustain deployed forces during a prolonged conflict.

I have a written statement, as you pointed out. I will submit it for the record.

Today our forward deployed Naval forces are consistently in a high state of readiness. They are available on short notice. They are capable of sustaining operations during times of conflict, and they provide the national command authority with our most survivable military deterrent and flexible warfighting force.

This flexibility enables the Navy to respond across a spectrum of possible crises and conflicts from peacetime overseas presence to antiterrorist response and, should deterrence fail, to war. Every measure of readiness and sustainability is up. The readiness of our ships has improved 93 percent, and that of our aircraft squadrons 260 percent.

The level of readiness we are achieving today is the highest it has been in the recent past, but continued strong congressional support will be required to preserve that level. Our fiscal years 1988 and 1989 budgets are structured to preserve today's very high readiness.

Turning to sustainability, our ability to sustain deployed forces during conflict is good and is improving. Substantial resources applied during the early and mid-1980s have increased our previously depleted stock of ordnance with the types of munitions that will be required to fight today's war. Our fiscal years 1988 and 1989 budgets, if approved by Congress, will continue the buildup of sustainability at a high level of investment per year.

I would like to emphasize that while we are talking about readiness and sustainability today, they are but two pillars of our whole program. The other two pillars are force structure and modernization. I think the important point is that the Navy's program is a balance of these four pillars, and a balance of enhancement of today's forces with the needs for the future.

It has been balanced during the building of the 600-ship Navy. It is balanced for the fiscal years 1988 and 1989 budgets, and it is balanced in our FYDP for the 5 years beyond. Readiness and sustainability comprise about 64 percent of the Navy's fiscal years 1988 and 1989 budgets. That percentage has stayed and is projected to remain relatively constant within this balance.

We have increased our ships from 491 in 1981 to a 600-ship Navy in 1989. We have improved the capabilities of our ships and the aircraft through modernization, while readiness and sustainability have increased, as I have said.

Based on the budget submitted for the fiscal years 1988 and 1989 and with the program in our FYDP, we are confident that the Navy of tomorrow can be supported. We will be ready, and we will have the staying power required. Your support of the budget as submitted is of course essential to maintaining the proper balance of the four pillars.

You have supported force structure growth to the 600-ship Navy. Because of congressionally imposed reductions, our end-strength increase has not matched the requirements of the ships that are being added. Lags in authorization have ranged from 4,000 to 8,000 per year during the last 5 years.

This shortfall is 50 percent of the growth requested in the Presidential budgets. Continued failure to support the Presidential request will result in serious negative impact on both readiness and sustainability. In the same vein, a continued reduction to our officer strength will take its toll.

The Navy's enlisted-to-officer ratio is below the Marine Corps but higher than the other services, and higher than the goal that the Congress has set. The technology of our warfighting systems demand this level of management. We are frugal in our officer authorization and we need what we have requested.

We took over a 2-percent reduction in fiscal year 1987. Please do not demand the same thing in 1988 and 1989 or it will show.

The fiscal years 1988 and 1989 budget funds spares for all afloat forces to meet our sustainability objectives and continue the build-up of our war reserve for reserve forces and shore activities. The budget reflects the considerable gains we have achieved in the initiatives to lower the cost of spares through competition.

In fiscal years 1988 and 1989 we will continue to expand our efficiency efforts at depot maintenance activities. The fiscal years 1988 and 1989 budget reflects \$500 million in annual savings and cost reductions attributed to ongoing productivity enhancement programs that have been established in each shipyard, and over \$1 billion savings in our industrial funded activities overall.

The Navy Milcon request in fiscal year 1988 will restore the account to its 1986 appropriated level, but it does not arrest the decline of the materiel condition of our aging physical plant. We need your support to prevent another 24-percent reduction in the Milcon account that was imposed on us in fiscal year 1987.

The readiness and capability of the fleet have received the lion's share of attention over the past several years, and all measures show the results of this attention. At the same time, the condition of many shore facilities has been deteriorating. The declining condition of the Navy's shore establishment has had adverse impact on shore station readiness and our ability to support fleet operations and care for our sailors and their families.

We intend to address this issue in the next budget submission in a program approved by both the Secretary of the Navy and the Chief of Naval Operations. We call it the Shore Facilities Life Extension Program, or for short the shore FLEP.

Many Navy families, particularly our junior enlisted, are unable to find suitable, affordable housing in the high-cost coastal urban areas where most ships are homeported. As a result, many involuntarily separate from their families or commute extremely long distances, and family budgets are strained when service members deploy and the families have little opportunity to use child care centers, commissaries, and other base support services.

With successive VHA caps and escalating housing prices, few junior enlisted can enjoy a reasonable standard of living. The fiscal years 1988 and 1989 budget contains funding for construction of

3,130 housing units, and our FYDP program continues the investment at this rate.

Our goal is to eliminate the 20,000 family housing unit deficit by fiscal year 1995.

To summarize, we have made substantial progress in recent years in improving the readiness of our Navy to carry out maritime strategy and the capability to sustain combat operations within the context of the Unified Commanders' war plans. We will continue to apply our scarce resources wisely for the task of preserving the strength we have achieved, and improving our readiness and sustainability in the years to come.

Your support of this budget as submitted is solicited to enable us to maintain the progress that we have had in recent years. I thank you very much, and I would like to turn the microphone over to General Went, who will have a statement for the Marine Corps.

[The prepared statement of Vice Admiral Hughes follows:]

PREPARED STATEMENT OF VICE ADM. T.J. HUGHES, JR., U.S. NAVY, DEPUTY CHIEF OF
NAVAL OPERATIONS FOR LOGISTICS

Mr. Chairman and distinguished members of the committee, I am grateful for the opportunity to appear before you to report on the level of readiness and sustainability of our Navy today and specifically, to address the points covered in your 6 February letter to me. While we have rebuilt our forces toward the 600 ship Navy goal, we have simultaneously achieved substantial increases in our ability to go to war today and to sustain deployed forces during a prolonged conflict.

Today, our forward deployed naval forces are consistently in a high state of readiness; they are available on short notice; they are capable of sustaining operations during times of conflict; and they provide the National Command Authority our most survivable military deterrent and flexible warfighting force. This flexibility enables Navy to respond across the spectrum of possible crises and conflicts, from peacetime overseas presence to anti-terrorist responses and, should deterrence fail, to war.

To accomplish our varied missions, Navy requires trained personnel, forward deployed in the proper types and numbers of ships and aircraft. To operate as a ready-to-fight unit, in top combat condition, our deployed forces also need ordnance, spares, facilities, and maintenance support. I will address each of these elements later, but first I'd like to show you some indicators of our readiness to go to war today and of our ability to sustain combat operations if required.

Our present system for reporting unit readiness to UNITREP, which provides unit commanders with guidance and format to report a unit's ability to perform its assigned missions based on the status of integrated logistic support inputs—personnel, equipment, supply support, and training. It does not address all elements which impact readiness throughout the Navy such as intermediate maintenance capability and status of fleet support activities. However, the UNITREP system does provide a status report that enables the National Command Authority, the Joint Chiefs of Staff, the Unified Commanders, and the Services to identify which units are ready at a particular time to perform the wartime functions for which they are designed and organized. Figure 1 shows the trend in reported readiness since 1981. The reported readiness of our ships has improved by 93 percent and that of aircraft squadrons by 260 percent.

Navy has developed other measures of readiness that are indicators of the material condition of our aircraft and ships. Aircraft material readiness is measured by Mission Capable (MC) and Full Mission Capable (FMC) rates based on actual maintenance data. MC/FMC rates based on actual maintenance date. MC/FMC rates, which provide a detailed history of aircraft condition and material readiness over time, measure the percentage of time an aircraft is able to perform at least one or all of its missions. Figure 2 shows that the aircraft material readiness trend, as measured by full mission capability, has improved 60 percent since 1981. This readiness indicator is responsive to changes in resource levels and accurately reflects trends. Figure 2 shows a 29 percent increase in the aircraft readiness funding trend since 1981. There is strong correlation between the level of resources applied and the material readiness that results.

Ship material readiness is measured in terms of the amount of time a ship is free of mission degrading equipment casualties. These casualties are reported by all ships on an as-occurring basis. Figure 3 shows that the trend of time-free of mission degrading equipment casualties for ships has improved 44 percent since 1981. Again, there is strong correlation between the trends of readiness funding and material readiness, as readiness funding for ships has increased 12 percent during this time frame.

Many factors affect these readiness measures. As the quality and quantity of our manpower and the funding for readiness items such as spares and maintenance increased during the early and mid 1980s, readiness improved. Although our efforts to define the relationship between specific resource elements and overall ship and aircraft readiness are continuing, we know that a balance of many resources—manpower, spares, maintenance, facilities, etc.—is required to maintain and improve readiness. The level we are achieving today is the highest it has been in the recent past, but continued strong Congressional support will be required to preserve that level.

Turning to sustainability, our ability to sustain deployed forces during conflict is good and is improving. The substantial resources applied during the early and mid 1980s have increased our previously depleted stocks of ordnance with the types of munitions that will be required to fight today's war. Figure 4 shows the improvement in munitions sustainability that we have achieved since 1981. These improvements are impressive but they must be viewed in the context of the depleted stocks that existed in 1981. Additional funding is required to achieve the level of ordnance that will be required to sustain a protracted conflict.

Before I address the specific points you raised in your letter, I'd like to emphasize that we are talking about readiness and sustainability today, which are but two pillars in our local program—the other two pillars being force structure and modernization. The Navy program is a balance of these four pillars and a balance of enhancement of today's forces with the needs of the future. It has been balanced during the build-up to the 600 ship Navy, it is balanced in the fiscal year 1988-89 budget, and it is balanced in our FYDP. Readiness and sustainability comprise about 64 percent of the Navy's fiscal year 1988-89 budget. That percentage has stayed, and is projected to remain relative constant as Figure 5 indicates. Within this balance, we have increased our ships from 491 in fiscal year 1981 to the 600 ship Navy in 1989. We have improved the capabilities of our ships and aircraft through modernization, while readiness and sustainability have increased as I have shown. Based on the budget submitted for fiscal year 1988-89 and with the program in our FYDP, we are confident that the Navy of tomorrow can be supported, will be ready, and will have staying power.

Based on your letter, I will address spare parts procurement and management, ship and aircraft depot maintenance, conventional ordnance, military construction funding, the status of our shore facilities, and actions to remedy the family housing shortfall, an issue of vital importance to the morale and retention of our sailors.

SPARES

No area of logistics has received attention in Navy than spare parts. Dramatic improvements have been made in the management of the two million spare parts used in Navy and Marine Corps weapon systems and the spares readiness of our forces.

In fiscal year 1983, we initiated the Buy Our Spares Smart (BOSS) program to address well-publicized spare parts procurement problems. Cost avoidance achieved by BOSS is over \$900 million. Equally important are the structural changes that have occurred in our management system which ensure continuation of the benefits in the future. Spare parts "breakout" and competition are now a way of life in the Navy. We are increasing industry participation in Navy acquisition planning by promoting the use of performance specifications, enlisting industry's participation in setting initial requirements, and conducting "awareness briefings" with associations and individual companies. We're adding a "Spare Parts Annex" to all Navy Acquisition plans to promote competition early in the spare parts acquisition process.

The fiscal year 1988-89 budget also continues the upgrading of our inventory control and spares management systems. For example, we are streamlining our spare parts accounting systems and we're using computer-read electronic bar codes so that the storekeepers on board ship can post real-time, accurate information.

New computers are now installed at inventory control points as part of a closed loop inventory control system for our large spare parts investment, and our plans include replacing the old technology computers at stock points. Inventory manage-

ment, a big, complex task aboard ship, is being enhanced tremendously by installation of new automatic data processing hardware and software that provides real time control of inventories. We've initiated what we call "pierside purchasing" to provide technical and pricing information to our afloat forces so they stay actively involved in the competitive contracting process on the waterfront.

To some extent, the improvement in material readiness that I showed earlier was made possible by stockfunding ship and aviation repairables. This management technique gives us both procurement and repair flexibility to respond more quickly to fleet needs. Additionally, since the customer must not "pay" for repairable spares at the unit level, a behavioral change in occurring which is causing more repair at lower levels resulting in a repair dollar savings.

In 1981 we could only outfit seven aircraft carriers with a full complement of spare parts. Considerable "cross-decking" from other carriers was necessary to keep enough spares on the deployed carriers to meet their requirements. By fiscal year 1989 we will have procured enough aviation spare parts to fully outfit all our carriers—they will be fully capable of deploying simultaneously.

In addition to spares providing initial combat readiness, they are necessary to sustain combat operations at wartime intensity rates. This sustainability is provided by our war reserve program.

The fiscal year 1988-89 budget funds all afloat forces to meet our sustainability objectives and continues the build-up of war reserves for reserve forces and shore activities. For example, the budget contains funding for maintaining maritime patrol aircraft at remote locations, and cold weather clothing and equipment for Fleet Marine Forces.

DEPOT MAINTENANCE

Depot maintenance is another major contributor to readiness and sustainability.

It is Navy policy to perform repairs and maintenance at the lowest practical level—aboard ship if at all possible or at intermediate maintenance activities in the fleet. Repairs that can't be performed at these levels are performed at the depot level—shipyards, air rework facilities, ordnance stations, and in many cases, at contractor's plants.

A large portion of our depot rework and maintenance program is accomplished by industrially funded activities. In fiscal years 1988 and 1989, we will continue to expand our efficiency efforts at these activities. Based on a comprehensive management analysis which identified various areas of inefficiencies in operations, last year's budget submission identified \$500 million in savings which could be achieved at Naval Shipyards, resulting in a corresponding reduction to the fiscal year 1987 ship overhaul and modernization programs. To meet the challenge of accomplishing the workload with substantially reduced resources, the shipyards have initiated efficiencies that are expected to result in near and long term improvements in productivity, overhead and overtime. The fiscal years 1988-89 budget reflects \$500 million in annual savings and cost reductions attributed to the on-going productivity enhancement programs that have been established in each shipyard. A substantial portion of the savings is reflected in reduced mandays as well as improved control of manday costs for customer-funded work. These savings and cost reductions are reflected in customer costs.

In view of the success of our efforts at the shipyards, we expanded our cost saving efforts to all Navy Industrial Fund (NIF) activity groups. This budget submission reflects additional annual savings of \$500 million in fiscal years 1988-89 primarily at the Naval Air Rework Facilities, the Naval Ordnance Stations, and the Public Works Centers. These savings result from improvements in overhead management, inventory control, and productivity.

As part of our efforts, competition between public and private shipyards continues in fiscal years 1988-89 and, in accordance with the fiscal year 1987 Appropriation Act, competition has been expanded to the Naval Air Rework Facilities beginning in fiscal year 1987. Initial competitions will be conducted during fiscal year 1987 for work to be done in fiscal year 1988. Selective competitions will be conducted consistent with the need to maintain a strong core organic Naval Aviation industrial program to support peacetime readiness and mobilization surge requirements.

In the area of aircraft depot maintenance, the combination of management initiatives and hard scrubs of our requirements have given us extremely favorable trends in the cost of our aircraft depot maintenance program. You will note in our budget submission for fiscal year 1988-89 that all aircraft depot lines reflect zero executable backlog. This reflects the continued emphasis within Navy upon ensuring our fleet is fully supportable.

As part of the general industrial activity cost savings identified above, cost reduction goals of \$336 million in fiscal year 1987-88 were established for the NARFs. We are focusing our depot corporate business plan toward achieving these efficiency goals. Each facility has been assigned an individual savings objective and local NARF management has flexibility in determining the most efficient means of increasing productivity and achieving the assigned savings.

Turning to ship depot maintenance . . . we have moved from the 1970's era, where major overhauls occurred every three years to one in which major overhauls typically occur every 6-7 years. In this maintenance strategy, short selected restricted availabilities (SRAs) are interspersed between overhauls. With some classes of ships under the Phased Maintenance Program we have eliminated overhauls entirely by using short "availabilities" to maintain their material readiness. In the Progressive Overhaul Plan, the *Oliver Hazard Perry* and *Pegasus* classes were designed to operate for 10 years between major modernization or conversion. In the interim, maintenance is accomplished during selected restricted availabilities.

The Navy's fiscal year 1988 budget request provides for overhaul of 31 ships, including one carrier, 15 surface combatants, nine submarines, and six other ships. The fiscal year 1989 program provides for major overhauls of 25 ships, including 10 surface combatants, six submarines and nine other ships.

CONVENTIONAL ORDNANCE

Another of the major readiness and sustainability items in our budget is conventional munitions procurement.

Funds in this budget for munitions procurement and associated support provide for initial combat readiness through peacetime training and for combat sustainability by build-up of war reserve stockpiles.

Despite the introduction of more sophisticated weapons, Navy has actually reduced the cost of peacetime training over the past several years. We've done this by intensified weapon management, standardization of training syllabuses, and by supplementing live firing with the use of training aids and ranges. The fiscal year 1988 annual peacetime consumption cost is about \$1.5 billion—25 percent below the fiscal year 1983 cost. This reduction in inventory drawdown provides an immediate pay-off in the form of increased combat sustainability.

Fiscal years 1988 and 1989 procurements will materially enhance our warfighting capability and again provide increased sustainability with improvements similar to those I showed earlier. Continuing this upward trend is critical to sustaining combat consumption until production can take over.

Approximately 85 percent to 90 percent of our \$20 billion munitions inventory is in a fully operational status either deployed aboard ship or ready for deployment in magazines around the world. The other 10-15 percent is in the maintenance pipeline for periodic service, test, and overhaul. We continually review the technical requirements of ordnance rework by analyzing historical reliability trends and other technical data to adjust the "time between test" of missiles and torpedoes. In the past few years we've been able to extend the maintenance interval on a number of surface and air missiles to 36 months and on the MK-48 torpedo to 96 months. This has decreased maintenance costs and increased readiness.

MILITARY CONSTRUCTION

The Navy MILCON request for fiscal year 1988 would restore the account to the fiscal year 1986 appropriated level, but does not arrest the decline in material condition of our aging physical plant.

The proposed budget includes major on-going projects for new homeports at Staten Island, New York and Everett, Washington. Additionally, new programs supporting strategic homeporting and the 600 ship Navy begin in fiscal year 1988 in four Gulf Coast states and on the Pacific Coast. The budget also provides for further development of the Trident submarine bases at Kings Bay, Georgia and Bangor, Washington, plus pier and dredging work at Earle, New Jersey.

Construction for forward deployed forces is addressed in both the European and Pacific theaters. We are requesting new facilities in the Naples, Italy area to minimize the possibility that seismic activity could cause catastrophic loss of life and destruction of vital command and control assets used by Sixth Fleet Task Force Commanders. The installation of relocatable over-the-horizon radar systems is continued at Amchitka, Alaska, and begun on Guam/Tinian in this budget.

The readiness and capability of the fleet has received the lion's share of the attention over the past several years and all measures show the results of this attention. At the same time the condition of many shore facilities has been deteriorating. The

declining condition of the Navy's shore establishment has had adverse impacts on shore station readiness and our ability to support fleet operations, and care for our sailors and their families.

Recently the Chief of Naval Operations, with the concurrence of the Secretary of the Navy, established goals to eliminate shore facilities as a cause of degraded readiness. A program we call the Shore Facilities Life Extension Program seeks to eliminate the backlog of maintenance, repair and construction projects thereby enhancing readiness.

This program is still in staffing and is not reflected in the budget, however, in the next budget we submit you will see substantial increase in the maintenance of real property and MILCON accounts related to this program. We will need your support for these increases.

FAMILY HOUSING

Many Navy families, particularly our junior enlisted, are unable to find suitable affordable housing in the high cost coast urban areas where most ships are homeported. As a result many involuntarily separate from their families or commute extremely long distances, and family budgets are strained when service members deploy and the families have little opportunity to use child care centers, commissaries and other base services. With successive VHA caps and escalating housing prices, few junior enlisted can enjoy a reasonable standard of living.

Our goal is to eliminate the 20,000 family housing unit deficit by fiscal year 1995. To achieve this goal, we plan to acquire 2,500 units a year through a combination of military construction and long-term lease construction under the section 801 program. Our fiscal year 1988-89 budget request for the new construction portion of the plan represents the first two years of an eight-year plan to satisfy our requirements.

To summarize, we have made substantial progress in recent years in improving the readiness of our Navy to carry out the Maritime Strategy and the capability to sustain combat operations within the context of that strategy. We will continue to apply our scarce resources wisely to the task of preserving the strength we have achieved and improving our readiness and sustainability in the years to come.

Senator WIRTH. Thank you very much, Admiral Hughes.

General Went is the Deputy Chief of Staff for Installations and Logistics in the Marine Corps.

General Went, thank you very much for being with us this morning, and we look forward to hearing your testimony which, as with the others, will be included in full in the record.

STATEMENT OF LT. GEN. JOSEPH J. WENT, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

General WENT. Thank you, sir.

Mr. Chairman, members of the committee, thank you for inviting me to appear here to discuss our ability to go to war today if called upon to do so, and to stay long enough to win. I do have a detailed statement for the record, but at this time I will make just a few remarks.

Because of the support Congress has provided in recent years, our Commandant, Gen. Paul X. Kelley, was able to say in his annual posture statement to the Congress that, and I quote, " * * * our readiness to go to war today is the highest it has been in our peacetime history."

To ensure continued readiness of a credible and capable Marine Corps, we have submitted an adequate but austere budget that will enable us to recruit, train, and retain quality marines and to provide support to their families; develop unit skills, unit integrity, and unit cohesiveness to deploy, then employ, disciplined and effective combat units, trained and ready to meet any situation; maintain the investment in quality equipment in our inventory; provide

for the operation and support of our bases and stations, maintain efficient mission support facilities thereon, and support and enhance the quality of life of our marines and their families; organize and manage efficiently, utilizing improvements in technology, to meet the challenges of increased complexity in today's combat environment; and, finally, to fully respond to the needs of the Unified Commanders to whom our Fleet Marines are assigned for contingencies and wartime planning.

There is no doubt that today's marines and your Marine Corps are more capable, better equipped, and better trained than at any time in our history, but I would submit to you that readiness and sustainability are very perishable commodities. Thus, our operating forces and supporting elements need constant attention, exercise, maintenance, and the injection of new recruits and equipment to remain ready.

Gentlemen, I am privileged to be here today to seek your continued support in providing a Corps that is fully capable of meeting its responsibilities in the defense of our Nation.

I will be pleased to respond to any questions which you may have.

[The prepared statement of Lieutenant General Went follows:]

PREPARED STATEMENT OF LT. GEN. JOSEPH J. WENT, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS

Fiscal Year 1988/1989 Overview of Marine Corps Readiness, Sustainability and Support

I. INTRODUCTION

Mr. Chairman and members of the committee, I am Lieutenant General Joseph J. Went, Deputy Chief of Staff for Installations and Logistics, Headquarters, U.S. Marine Corps. It is indeed a pleasure to appear before you today to describe the readiness, sustainability, and support posture of the Marine Corps. In line with your request, my presentation will focus on our ability to go to war today and our ability to sustain deployed forces as required during conflict. I will also review what our fiscal year 1988/1989 request will contribute to our military capability and present some of the challenges we will face in the future.

II. OVERVIEW OF MILITARY CAPABILITY

We measure military capability in terms of its four components; readiness, sustainability, modernization, and force structure. Distinctions among these four components may appear to be relatively clear, but it is extremely important to recognize the high degree of interdependence among them. Any measurements of "readiness" or "sustainability indicators cannot be viewed in isolation or as absolutes; because of the changing nature of the threat, military capability must be viewed as a dynamic rather than a static concept.

Our force structure provides the ability to task organize the appropriate Marine Air-Ground Task Force. Marine Air-Ground Task Forces are drawn from existing Regular or Reserve divisions, aircraft wings, and force service support groups (FSSGs). A Marine Air-Ground Task Force can range in size from a 2,000-man Marine Amphibious Unit to a Marine Amphibious Force, which can include over 50,000 Marines and Sailors. Regardless of size, each Marine Air-Ground Task Force consists of four major elements: a command element, a ground combat element, an aviation combat element, an aviation combat element, and a combat service support element.

At this point let us briefly consider combat service support (CSS). An expanded Marine Corps CSS structure and increased manning of that structure have significantly improved the Unified Commanders-in-Chief's (CINCs') warfighting capabilities. As the last decade ended, our FSSGs were barely manned at 70 percent of the then authorized structure. In October 1980, the Marine Corps embarked upon an FSSG restoration plan aimed at reconstituting and renovating CSS capabilities

within the Fleet Marine Force. During the ensuing years, manning was substantially increased in all functional support areas, and several structure enhancements were made in support of evolving combat and combat support capabilities. Also, 15 additional CSS companies have been, or are in the process of being, activated. For fiscal year 1987, manning for the FSSGs is programmed at 37.5 percent. In fiscal year 1988, the restoration plan will culminate with the achievement of manning parity of 88.5 percent among our ground combat, aviation combat, and CSS elements. Thus, the CINCs can now be assured of having a CSS element that is in balance with the other elements of that Marine Amphibious Force.

Another key consideration in developing a balanced military capability is the impact modernization has on readiness and sustainability. As the Commandant said in his posture statement, modernization must often proceed at a more deliberate pace to avoid unnecessary force turbulence and a consequent drop in readiness. This turbulence is caused by the fact that, for a period of time, it is necessary to provide operational training, maintenance, and maintenance training, tools, spares, and general support for both the new system and the one it is replacing. On the other hand, sustainability is at first enhanced by the fact that we have all the old items plus the new ones available for employment. Eventually, however, the old item can become a burden as its increasing obsolescence makes the cost of supporting two systems prohibitive. Consequently, sustainability may eventually suffer if the old item is not completely replaced in an orderly, carefully planned manner.

Modernization is an expensive process, thus the Marine Corps must seek solutions which are cost effective as well as responsive to the threat. We have a five-stage process for satisfying a new operational requirement. First, we try to see if a change in doctrine, tactics, force structure, or training will enable us to meet the threat. If this will not work, we next examine the possibility that a service life extension program (SLEP) or a product improvement program (PIP) can replace the existing system. Examples of successful adaptation of these approaches include SLEPs for our assault amphibious vehicles and 5-ton trucks, and a PIP for our Dragon missile.

If these programs will not suffice, we look for a nondevelopmental item; that is, some existing weapon or system in another service's inventory or available commercially that will meet our requirement. This approach not only saves the taxpayer's money, it saves the time associated with full-scale development of a new item. Examples of our use of this approach include test and calibration equipment and most of our materials handling and construction equipment. If none of the first three steps work, we next look to another service for a system that may be under development or for establishment of a joint program. We have adopted many of the weapons developed by the Army, such as the M1A1 tank, our artillery pieces, and various vehicles. Joint programs, for which the Marine Corps is the lead service, include the Unit Level Circuit Switch and the Tactical Air Operations Module.

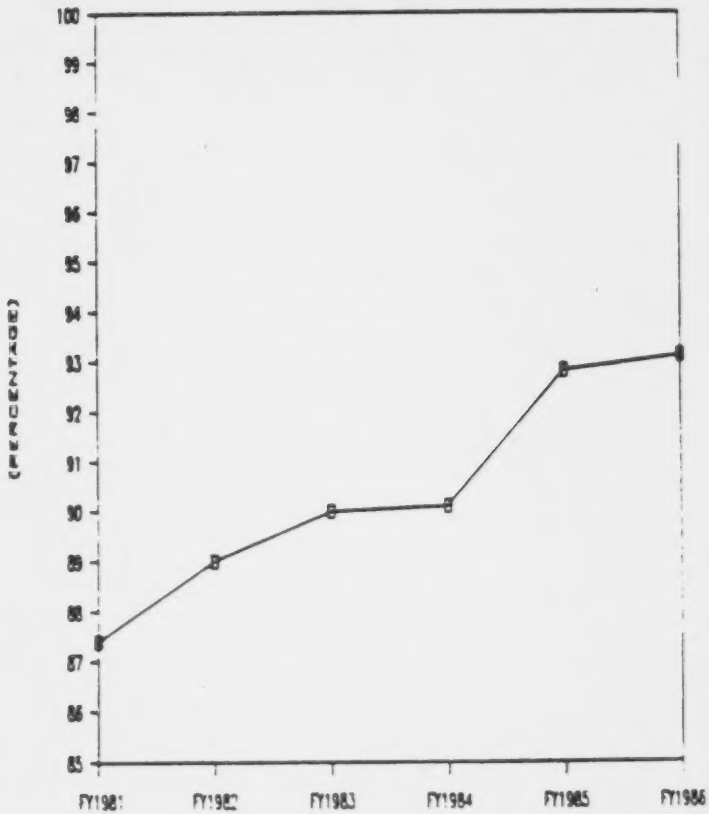
As a last alternative, we pursue independent development. This would normally be the case for amphibious-unique requirements, such as our assault amphibious vehicle. We adopt the independent development approach only when there is no other reasonable means to satisfy the need.

To sum up, maximizing our military capability with a given level of resources is a complex process. Military capability is not improved over time if we put our resources into new weapons systems to the extent that we neither have Marines on board who can operate them properly nor funds to maintain them adequately. It therefore follows that a primary objective of the Marine Corps is to achieve the best overall balance possible in our program. We think we have achieved this balance in the request before you.

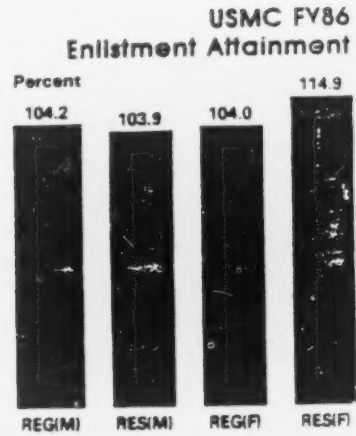
III. OUR CURRENT ABILITY TO MEET PEACETIME AND WARTIME NEEDS

The Marine Corps has made great strides in military capability during the 1980s. In the preceding section we discussed some developments in our force structure. We will now present some graphic illustrations of our progress in other areas. The first chart portrays the significant improvement made in materiel readiness since fiscal year 1981.

MATERIEL READINESS



The next two charts illustrate our progress in achieving a sufficient level of high caliber recruits. The charts on the left demonstrates a quantum improvement in the percentage of high school graduates among our recruits. We are also doing well, quantitatively, as the chart on the right indicates in fiscal year 1986, we exceeded all our recruitment goals for both Regular and Reserve forces.



The next chart reflects our progress in weapons modernization. During this decade we will have upgraded all of our small arms and artillery. We are extremely proud of the fact that we are simultaneously fielding weapons systems for the Active and Reserve forces, thereby giving credence to the total force concept. By 1990, we will be able to counter and overcome the increasing range and lethality of any potential enemy's known weaponed systems.

Weapons Modernization

		83	84	85	86	87	88	89
MK19 40mm Machine Gun	ACT							
	RES							
Shoulder Launched Multi-purpose Assault Weapon (SMAW)	ACT							
	RES							
9mm Pistol	ACT							
	RES							
M16A2 Rifle	ACT							
	RES							
TOW 2	ACT							
	RES							
M60E3 Machine Gun	ACT							
	RES							
M198 Howitzer	ACT							
	RES							
AT4	ACT							
	RES							
181 Mortar	ACT							
	RES							
Dragon PIP (Product Improvement Program)	ACT							
	RES							
Squad Automatic Weapon (SAW)	ACT							
	RES							
XM4 Carbine	ACT							
	RES							

Our prepositioning programs are a relatively new capability, and we are very pleased with progress in this area. During fiscal year 1987, our Maritime Prepositioning Ships (MPS) squadrons began a sequential biennial maintenance cycle (BMC). During the BMC the MPS ships are completely downloaded and undergo a complete Coast Guard recertification, while required maintenance and stock rotation are performed on embarked supplies and equipment. The initial results are encouraging. Based upon completion of two ships in the first cycle, 98 percent of all equipment was found to be ready for issue.

Our commandant has said "The Marine Corps of today is a quality force—quality people—quality equipment—quality training—and quality standards in the way we take care of our Marines and their precious loved ones. There is no question that the Marine Corps now stands on a plateau of military capability previously not

achieved. This capability was not attained over-night. the earlier charts reflect gradual progress over a period of time, and we would be less than candid with you if we did not point out that our current readiness, sustainability, and overall ability to support our forces are perishable commodities. Our individual Marines, their weapons and support equipment and our supporting facilities cannot somehow be put in mothballs and maintained at their present levels. Marine must be given realistic training; weapons and support equipment must be exercised and maintained; and facilities must be operated and maintained. In addition, we have a continuing need to inject new blood into the Marine Corps; i.e., recruits, equipment, facilities and ideas.

Moreover, we still have a way to go in terms of current needs. After you earlier hearings, you may be concerned with how well the Marine Corps supports the Unified Commanders-in-Chiefs (CINCs). We recognize and accept that our principal responsibility is to support the CINCs through the Fleet Marine Forces that are assigned for planning and contingencies. It is imperative that our Fleet Marine Force units be at the highest state of readiness commensurate with this vital mission. To this end our formal schools, specialized training, and fleet training exercises are designed with the single purpose of preparing Marines for service with the Fleets and the CINCs.

We maintain close liaison with the Fleet Marine Forces, our Fleet counterparts, and the CINCs to monitor the state of combat readiness in the Fleet Marine Force. We carefully analyze our Fleet Marine Force, Fleet, and CINC Situation Reports to determine if there any trends which need immediate attention. Further, we have programmed the CINC's concerns into our plans which we use as the basis for our budgeting and subsequent acquisition efforts.

Two problems which our analyses helped to identify are the need to field modern cryptographic equipment and to establish adequate levels of Prepositioned War Reserve (PWR) stocks in ammunition (Class V(W)). Both of these concerns are adequately resolved within the current Five Year Defense Program (FYDP). Two other issues that need further analysis and planning for full resolution are continued improved manning of the force service support groups (FSSGs) and the fielding of adequate nuclear-biological-chemical (NBC) defense equipment to include supporting PWR stocks. As I indicated earlier, we plan to achieve manning parity within the FSSGs with our other Marine Air-Ground Task Force elements in fiscal year 1988, and we are making headway in resolving the NBC defense and PWR issues.

Finally, two CINC-identified problems for which we do not yet have adequate solutions are the need for a rapid runway repair capability and rapid counter-obstacle capability. Resolution of these problems in the current FYDP is limited by the availability of an adequate and affordable technical solution that is tactically sound.

In the matter of spares and repair parts, we continue to emphasize the procurement of spares to ensure the continued high level of equipment readiness that we have achieved and to enhance the sustainability of our deployed forces during combat.

With respect to base support, we are pretty much where we should be except for our physical plant facilities. In this important area we have made progress, yet much remains to be done. Bachelor and family housing deficits have been reduced, new maintenance and storage buildings have been constructed, and our backlog of construction requirements has been reduced from \$3.4 to \$3.1 billion. However, the average age of Marine Corps facilities is 32 years. Block obsolescence is an undesirable prospect we confront, one that with your support we may be able to avert. The age factor is one element of the need for continued real property maintenance funding.

IV. OUR FISCAL YEAR 1988/1989 REQUEST

After that brief overview of where we currently stand in terms of our programs and shortfalls, let us now examine in some detail what our fiscal year 1988/1989 request will do for us. The resources in our present request will enable us to hold our own or make progress in most areas of vital concern to us. The Marine Corps budget before you is in balance, and we think it is one you will be able to support.

U.S. MARINE CORPS FUNDING PROFILE

FISCAL YEARS 1984 - 1989

(\$ MILLIONS)

	<u>FY-84</u>	<u>FY-85</u>	<u>FY-86</u>	<u>FY-87</u>	<u>FY-88</u>	<u>FY-89</u>
NPMC	3,516	4,952	5,161	5,447	5,549	5,534
RPMC	172	270	283	278	295	303
O&MMC	1,560	1,658	1,576	1,810	1,918	1,929
O&MMCR	52	59	54	64	71	85
PMC	1,741	1,768	1,531	1,465	1,402	1,646
MCSF	<u>21</u>	<u>35</u>	<u>36</u>	<u>1</u>	<u>23</u> ^{1/}	<u>39</u> ^{1/}
TOTAL	7,062	8,742	8,641	9,065	9,268	9,546

^{1/} USMC portion of the DON Stock Fund Request. OSD has directed the merger of the Marine Corps Stock Fund with the Navy Stock Fund effective 1 October 1987.

A. Operation and Maintenance, Marine Corps

The operation and maintenance appropriations for the Regular and Reserve forces primarily support readiness. These appropriations maintain and improve our combat readiness, our ability to project and sustain combat power, and the esprit of our Marines and their families. The request for fiscal years 1988 and 1989 will enable us to continue the improvements of the recent past. This biennial budget provides stability for the operation and maintenance program while continuing a high readiness posture.

To ensure continued readiness of a credible and capable Marine Corps, the funds requested in the fiscal years 1988 and 1989 budget will enable us to:

- recruit, train, and retain quality Marines and to provide support for their families;

- develop unit skills, unit integrity, and cohesiveness to deploy (then employ) disciplined and effective combat units, trained and ready to fulfill the mission;

- protect the considerable investment which has provided high quality equipment to our troops;

- operate and support our bases and stations, maintain efficient mission support facilities thereon, and support quality-of-life requirements; and

- organize and manage efficiently, utilizing improvements in technology, to meet the challenges of increased complexity in today's combat environment.

Now, let us examine what we are doing in the above areas in fiscal years 1988 and 1989.

Recruit, Train, and Retain

The Marine Corps is committed to a total force policy with the overall goal of readiness for combat. Our recruiting effort is organized on this total force basis and tasks our recruiters to procure personnel for both Regular and Reserve forces.

Our efforts to obtain high caliber young men and women for our enlisted and officer ranks have achieved better than expected results, but we are heading into a period of increasing competition in a shrinking labor market. While we are highly encouraged by positive indicators, we are concerned about the reduced availability of qualified military applicants and the requirement for maintaining quality to keep pace with technological advances.

The resources in the Recruiting and Advertising Program support our efforts to recruit required numbers of quality men and women, officers and enlisted. While we must have quantity goals, the principal Marine Corps objective is to obtain quality recruits. Emphasis on quality will help reduce first term attrition and will correspondingly increase combat readiness of our Fleet Marine Forces.

Improved training

As the tools of our trade become more technologically advanced and specialized, as today's battlefield has become more complex, and as the manning of our force structure has improved, demands for individual training have grown. Yet, the funding request in the Training and Education Program has remained relatively stable. The high quality of our new Marines—both officer and enlisted—is a prime reason for this stability; these young people learn quickly. Their education level is higher, and they are more capable and better prepared to face today's technological challenges.

While formal school training is costly in time and dollars, it allows us to provide the greatest challenge to, and reap the highest benefit from, the highly motivated young people entering the Marine Corps today. Establishment of a new School of Infantry and the increasing emphasis we place on counter-terrorism training illustrate continuing efforts to provide training to meet real-world needs.

Retention

Building the right force is a complex, long-term process. It takes years to replace a career Marine. This factor mandates long-term planning in our retention efforts.

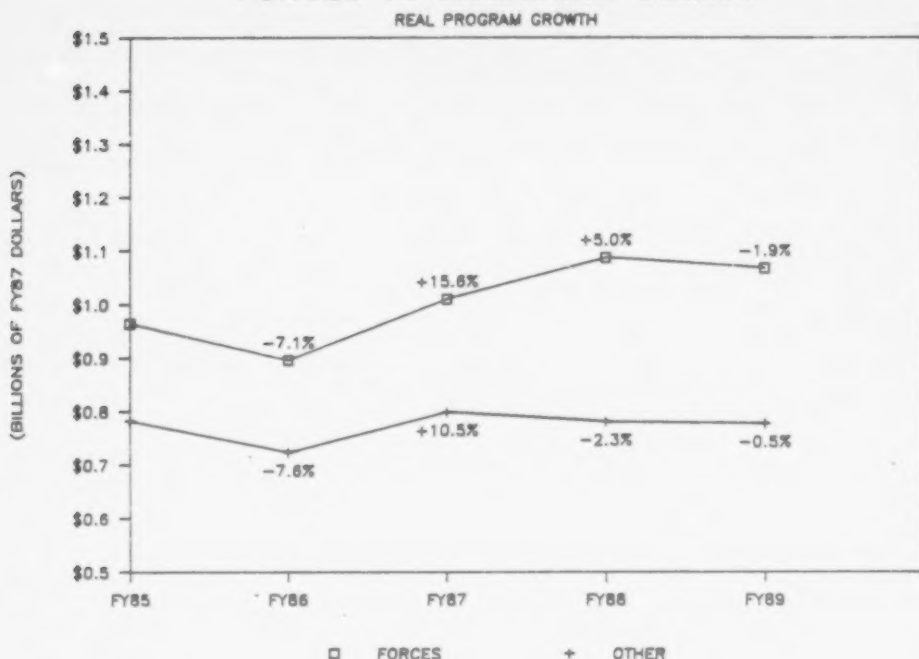
A program designed to assist retention is the Unit Deployment Program (UDP). A means for reducing the frequency of permanent change of station (PCS) moves, the UDP enhances a Marine's and the unit's readiness. It also reduces organizational and individual turbulence by permitting units home-based in the continental United States, currently infantry battalions and tactical aviation squadrons, to meet a portion of our Western Pacific and Indian Ocean commitments while deploying for periods of 6 months. Besides significantly decreasing our rotational PCS costs, the UDP improves the morale and stability of our Marines and their families. Because of its success, we are expanding the program to include some combat support units. This expansion will eliminate an additional 1,600 overseas unaccompanied tour billets by fiscal year 1988, saving over 14,000 cumulative PCS moves annually, strengthening readiness, reducing personnel turbulence, and improving family morale.

Readiness is improved by reducing personnel turbulence, and the use of increased accompanied tours in the Western Pacific is a major contributor to the gains realized. Again, the goal is reduction of PCS moves and improvement of family cohesiveness. The preponderance of this increase has been for officers and senior noncommissioned officers who will be stationed overseas with their families for 3 years. This means commanders and other key personnel can be assigned for full tours to provide uninterrupted leadership. Unit productivity and readiness are improved as a result of the increased personnel continuity. These improvements in unit productivity and readiness will continue to increase as support facilities, especially housing and other family service facilities, come on-line.

The Fleet Marine Force: Exercises and Operations

The Marine Corps is prepared for any contingency. The emphasis on readiness necessarily demands a continuing focus on the requirements of our operating forces. The following graph depicts the resources, in constant dollars, provided for the General Purpose Forces budget activity for fiscal years 1985 through 1989, as compared to the remaining funds in the O&MMC appropriation.

FORCES TO REMAINING O&MMC

*Unit activations and reorganizations*

New unit activations for fiscal years 1987 to 1989 include the 1st Light Anti-Aircraft Missile Battalion, remotely piloted vehicle (RPV) companies, target acquisition batteries (TABs), general support artillery battalions, Marine Air-Ground Task Force headquarters and CH-53E helicopter squadrons. Two additional RPV companies and a second TAB are being activated during fiscal 1987. Three CH-53E squadrons are operational, with a fourth unit scheduled to convert in fiscal year 1988.

Unit reorganizations including reorganization of the Forward Area Air Defense batteries to Low Altitude Air Defense (LAAD) battalions; reorganization of separate light and attack helicopter squadrons into a Marine Light/Attack Helicopter (HML/A) squadron; and reorganization of Marine Wing Engineer Squadrons, Marine Wing Transportation Squadrons, and Marine Air Base Squadrons into a new Marine Wing Support Group. Scheduled completion of the LAAD battalion reorganization is fiscal year 1988; four HML/A squadrons and the Marine Wing Support Group have recently completed reorganization.

Training and exercises

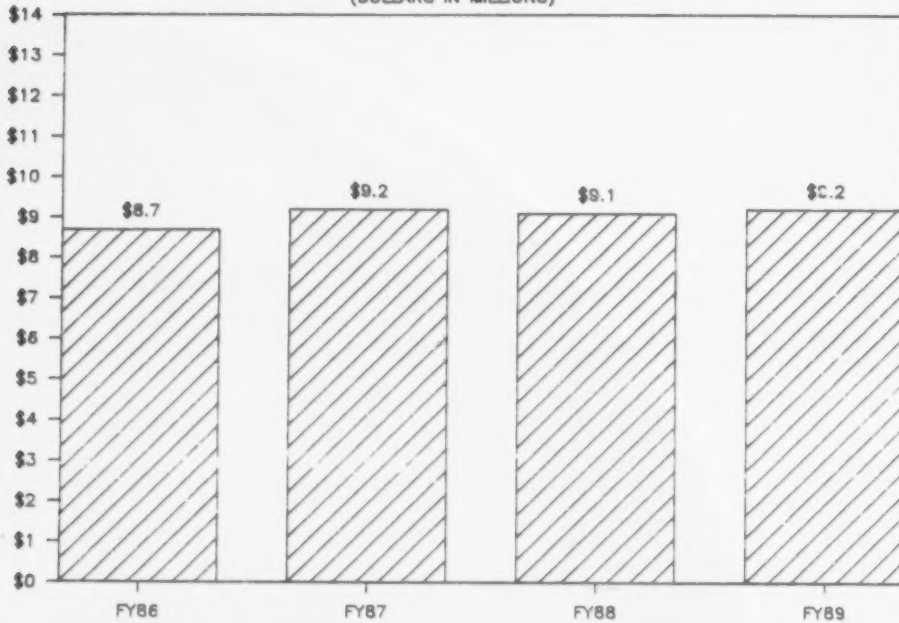
Integrated exercises are the culmination of Marine Corps training. These exercises provide an opportunity to train under a variety of threat scenarios, environment conditions, and locales in order to simulate combat conditions. Commanders are thereby able to evaluate their contingency plans, staff coordination, and command and control.

The Marine Corps has also benefited considerably from Joint Chiefs of Staff directed/coordinated exercises. They provide the opportunity to plan, coordinate, and execute joint operational plans with other Services in support of the CINC's operational plans in a manner closely resembling probable deployment scenarios while improving interoperability.

The scope of Joint Chiefs of Staff directed/coordinated exercises has increased to include joint/combined tactics, techniques, and procedures. Strategic capabilities, including the ability to perform difficult and complex operations over extended periods, have been improved. The following graph provides an incremental funding profile for Joint Chiefs of Staff directed/coordinated exercises from fiscal years 1986 to 1989.

JCS DIRECTED/COORDINATED EXERCISES

(DOLLARS IN MILLIONS)



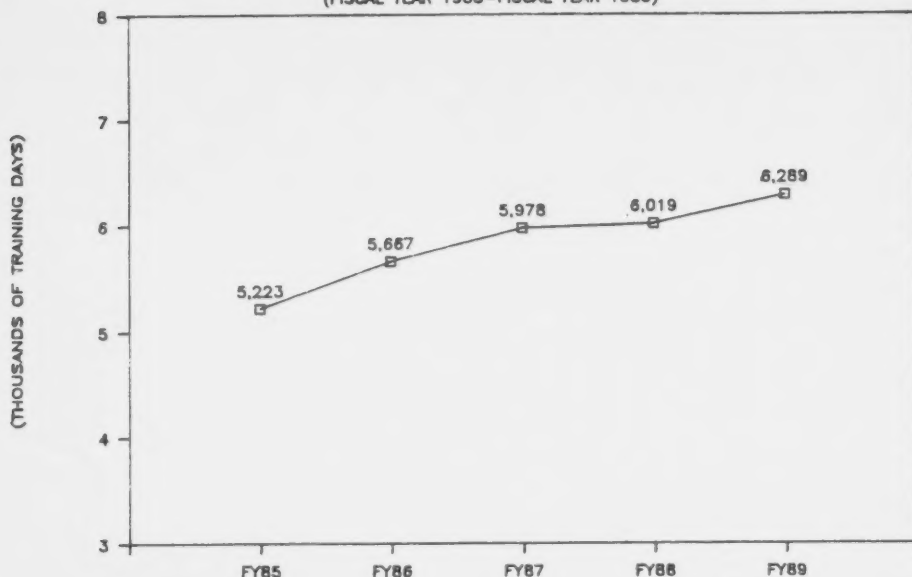
Operating in diverse geographical environments and in joint and combined command relationships, the Marine Corps conducts Marine Air-Ground Task Force exercises throughout the globe, including Korea, Thailand, Australia, the Philippines, Norway, the Mediterranean Sea, the Caribbean Sea, and both the east and west coasts of the continental United States. Even though the number of Marine Air-Ground Task Force exercises has remained stable during recent years, the complexity and sophistication of these exercises have increased. Increases in size and scope have occurred as the Maritime Prepositioning Forces have been included in several Unified Command exercise schedules. All of the exercises have a common theme throughout—interoperability of Marine Corps forces in joint or combined operations.

Unit training

Battalion field training days represent actual field training time by Marine Corps units, excluding training received in garrison or on amphibious shipping. The following chart, detailing the number of battalion field training days from fiscal years 1985 to 1989, shows that field training for Marine Corps units is still strongly emphasized as the best way to prepare cohesive, battle-ready units. This measure provides an index of the effort expended toward achieving and maintaining a ready state among our units.

BATTALION FIELD TRAINING DAYS

(FISCAL YEAR 1985-FISCAL YEAR 1989)



In addition, the Marine Corps conducts 10 combined arms exercises (CAXs) annually. These CAXs are designed to train Marine forces in combined arms coordination. Two of the ten CAXs are devoted exclusively to the Marine Corps Reserve and its integration into the Active force.

Prepositioning programs

The O&MMC appropriation, while essentially providing for the continuing support of our operating forces rather than being composed of discrete projects or programs, does fund some programs that have a unique identity. As indicated earlier, of particular note are the MPS Program and the Norway Prepositioning Program, which significantly contribute to the capabilities and versatility of the Marine Corps.

The Commandant has called the MPS Program our "... most significant development in strategic mobility ..." in recent years. The program is an adjunct to our amphibious role. It is a strategically significant enhancement to our Nation's ability to signal resolve or deploy combat forces in time of crisis.

The MPS Program is now well underway. It is a permanent, vastly expanded capability compared to the original Near-Term Prepositioning Force Program. The MPS Program provides the arms and equipment for three Marine Amphibious Brigades, each made up of approximately 16,500 Marines and Sailors. MPS Squadron-1 became operational on 30 July 1985 in the Atlantic. MPS Squadron-2 became operational on 31 December 1985 in the Indian Ocean. And MPS Squadron-3 became operational on 30 September 1986 in the Western Pacific.

The operation and maintenance support to the MPS Program provides for replacement of consumable supplies; deployment exercises, maintenance of the embarked equipment to ensure readiness; biennial maintenance requirements; and periodic transportation of new equipment to modernize the prepositioned squadrons. In October 1986, the first biennial maintenance cycle, for MPS Squadron-1, began in Jacksonville, Florida.

During fiscal year 1989, a biennial maintenance cycle (BMC) site for MPS Squadron-2 and Squadron-3 will be established at Guam. The Guam site will enhance the operational capabilities of these two squadrons by minimizing off-station time consumed by steaming to more distant maintenance locations. The benefit of this increased capability will be reflected in some cost growth to the MPS Program incidental to the activation and sustained operation of the Guam BMC site. Funds for the maintenance of prepositioned equipment will continue to be necessary to ensure that the equipment is fully operable. Because of the nature of its intended use, there can be no uncertainty as to the readiness of that equipment.

The MPS Program was augmented during fiscal year 1986 by the addition of an Aviation Logistics Support Ship (TAVB). An additional TAVB is scheduled to come on-line during the current fiscal year. Each of these ships provides an aviation intermediate maintenance activity to support the aviation combat element of a Marine Air-Ground Task Force. O&MMC funds are required for the essential exercising of these new units.

Some of the requested O&MMC funding for the MPS Program will provide training exercises for brigade-size Marine Air-Ground Task Forces. Funding includes costs associated with development and implementation of MPS operating concepts and orientation of fleet commands to the uses and capabilities of the MPS Program. A goal in this regard is to conduct annual download exercises for each MPS squadron and its associated Marine Amphibious Brigade, to include the fly-in echelon. An additional goal is to conduct a full-scale download of all the ships in a squadron, accompanied by deployment of the associated Marine Amphibious Brigade.

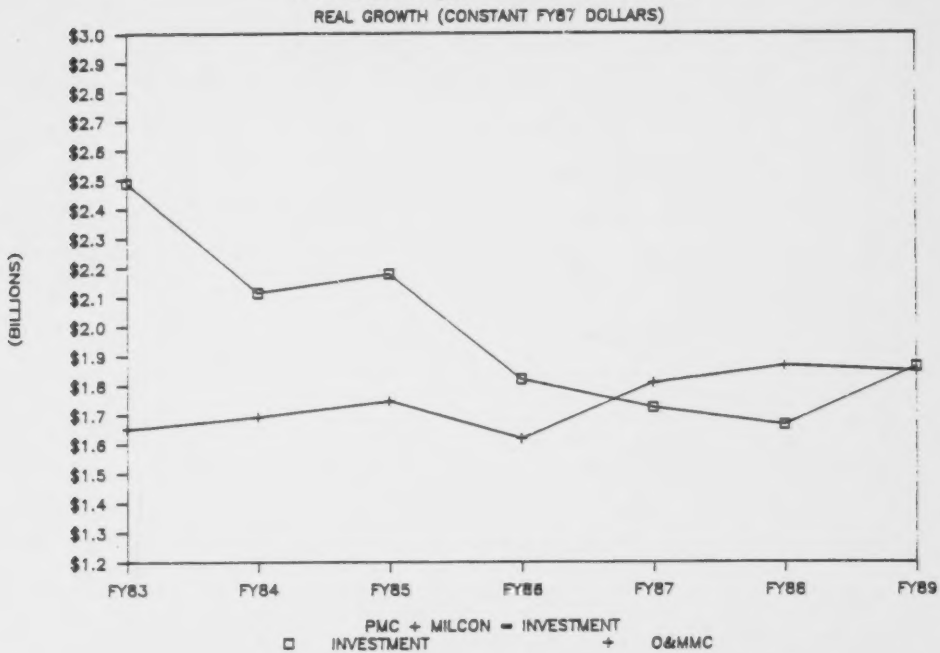
Finally, prepositioning efforts are continuing in Europe to strengthen our capability in the northern flank of NATO. The geographical prepositioning program in Norway provides for the rapid deployment to this vital area of an integrated air-ground team: a Marine Amphibious Brigade of approximately 13,000 Marines and Sailors and over 150 aircraft. Such a mobility enhancement sends strong signals of American resolve to our allies—and to potential enemies.

This program has the full support of NATO and the Norwegian Government. Norway's contribution of host nation support equipment and facilities has been a meaningful assistance to our prepositioning requirements. Close and continuous coordination exists between American and Norwegian planners in all aspects of this program. This joint venture has proceeded very smoothly, including three very successful exercises that includes the withdrawal and exercising of selected equipment in 1984, 1985, and 1986. Future exercises to test equipment activation and withdrawal concepts and procedures are scheduled for fiscal year 1989 and 1991.

Protecting the investment

In the first half of this decade, the Marine Corps procurement budget substantially exceeded O&MMC fundings, and our Military Construction (MILCON) programs were significantly expanded. The following graph provides a profile of investment funding since fiscal year 1983 in constant fiscal year 1987 dollars. For comparison, the O&MMC funding over the same period is provided.

INVESTMENT VS O&MMC



Your investment in the Marine Corps over the last 6 years has improved our force structure, modernized our equipment and facilities, and enhanced our readiness and sustainability. Goals for the O&MMC appropriation in fiscal year 1988 and 1989 include providing support through necessary funding for maintenance of equipment and maintenance and repair of real property. We do not want to let the investment your Committee and the American people have made in their Marine Corps deteriorate.

To operate, support, and properly maintain this investment, the Marine Corps is requesting a net program growth of \$16.1 million in fiscal year 1988 over the current year and a net program decrease of \$19.2 million in fiscal year 1989 over fiscal year 1988. This represents only a 0.9 percent increase in net program growth from fiscal year 1987 to fiscal year 1988 and a 1.0 percent decline from fiscal year 1988 to fiscal year 1989.

Operations at two Marine Corps logistics bases

Much of the effort to maintain our weapons and equipment is performed by our logistics bases at Albany, Georgia and Barstow, California. Supply and maintenance activities at Albany and Barstow support Marine Corps-wide readiness and sustainability. Both logistics bases conduct supply depot operations and equipment maintenance, to include depot maintenance, major repair or rebuild, and modification of Marine Corps ground support equipment. Additionally, the logistics base at Albany performs inventory management, distribution of Marine Corps publications, and inventory control point operations.

Since 1980/1981, support of the Fleet Marine Force readyline by Albany and Barstow has increased dramatically. This has been accomplished through an expanded care-in-storage maintenance program performed by the bases' materiel divisions. This allows more time for the depot maintenance activities to perform depot-level maintenance on principal end items. Also, for the last 3 years, the Marine Corps Logistics Bases have been supporting the MPS and Norway Prepositioning Programs.

Marine Corps Logistics Base, Albany is receiving another railroad spur in 1987, and Marine Corps Logistics Base, Barstow is upgrading a railroad spur in 1988; these projects will increase their rapid movement capability and improve readiness support to the Fleet Marine Forces. Additionally, Albany has purchased automated data processing equipment—to convert its manual operation of preparing Govern-

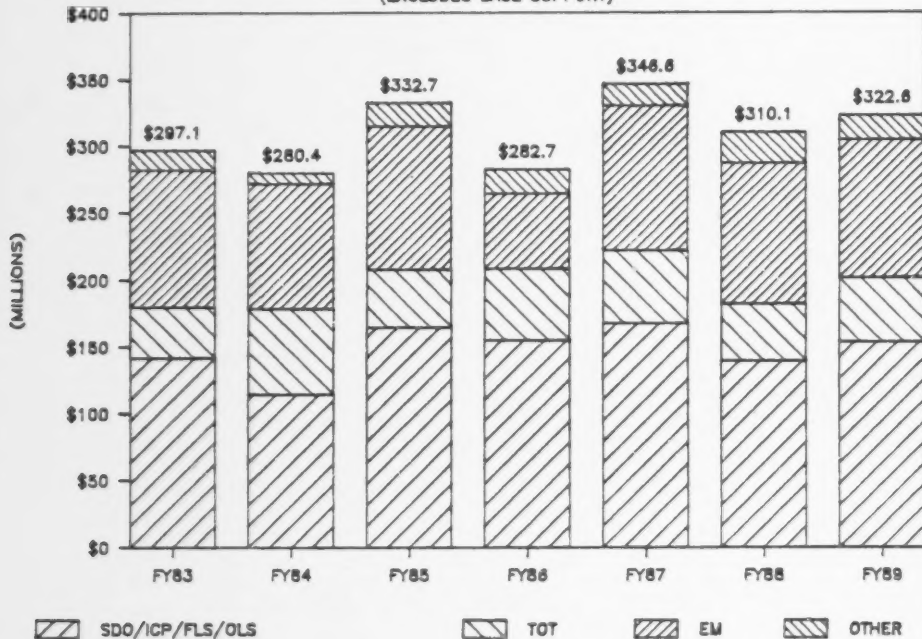
ment bills of lading into an automated process—and warehouse modernization equipment. This has decreased stock denials and reduced preparation time of the Government bills of lading, thereby increasing efficiency.

Central supply and maintenance activities

The funding required for Supply and Maintenance Activities reflects a series of fluctuations, as shown in the following graph. These fluctuations have been caused primarily by cyclic requirements of the prepositioning programs and variation in supply, equipment maintenance, and transportation requirements as new weapons and equipment are fielded and require operation and maintenance support. The chart below outlines funding for supply depot operations (SDO), inventory control point (ICO), field logistics support (FLS), other logistics support (OLS), transportation of things (TOT), equipment maintenance (EM), and other supply and maintenance activities.

CENTRAL SUPPLY & MAINTENANCE ACTIVITIES

(EXCLUDES BASE SUPPORT)



Transportation and equipment maintenance

The movement of equipment and materiel—for maintenance or repair at both Marine Corps Logistics Bases, as well as for new equipment and supplies—is supported within the TOT program. All resources in this program are utilized to reimburse industrially funded or commercial transportation carriers for transportation services. This program finances all costs related to first and second destination transportation of cargo to the operating forces, as well as costs of prepositioning materiel and equipment at overseas locations.

As stated previously, depot-level maintenance of our weapons and equipment is performed at both Albany and Barstow. With the modernization of most of our motor transport and small arms, funding requirements for depot-level maintenance have temporarily declined. However, as the new items accrue usage, we foresee a requirement for an increase in depot-level maintenance funding to support them, commencing with fiscal year 1990.

Supply support of the forces

Under the Supply Support Program, both Logistics Bases have decreased the care-in-storage backlog significantly over the last 12 months by establishing a preventive maintenance unit in their materiel divisions. Due to a shortage of storage space in the Fleet Marine Forces, a portion of their Authorized Medical Allowance List (AMAL) is stored at the Marine Corps Logistics Bases. The AMALs are maintained

in conditions code A, and care-in-storage and preparation-for-shipment functions for these AMALs are performed by the logistics bases.

Prepositioning program management changes

As the prepositioning programs have returned, and the Marine Corps has gained experience in managing its logistics requirements, there has gradually been a shift of emphasis between management at the Logistic Bases and the Fleet Marine Forces. The primary shift has occurred in the Norway Prepositioning Program where maintenance and materiel management responsibility associated with the program is currently being transferred to Marine Corps Logistics Base, Albany, from the Fleet Marine Force, Atlantic. This shift in responsibility will allow the operating forces to focus more on operational matters associated with exercise and employment requirements, and will provide the Government of Norway a single point of contact for logistic concerns.

Both the Fleet Marine Forces and Marine Corps Logistics Bases have been, and continue to be, active players in the MPS program. With the second and third squadrons coming in for the BMC, the role of the Marine Corps Logistics Base at Albany during the BMCs will increase because of its role in managing the contracted maintenance requirements. The emphasis in both the MPS and the Norway Prepositioning Programs will continue to be an effort to free operational commanders, as much as possible, of routine logistics matters associated with storage, maintenance, and preservation of supplies and equipment while these supplies and equipment are in storage.

Base operations and support

We have always prided ourselves on providing a rigorous training regimen with which to challenge our Marines. Today, in large measure because of your support, we are also well on our way toward providing modern housing, messing, training, and maintenance facilities. These facilities, coupled with the fielding of modern equipment, have had a very positive impact on our Marines and their families, which in turn has improved morale and retention and favorably affected overall combat readiness.

Operations of base and stations

Integral to the concept of readiness, and a necessary component upon which the operating forces depend, is the supporting establishment. Marine Corps bases and installations provide the necessary facilities to house, feed, train, and service the operating forces.

Base operations funding is generally for costs of a recurring and relatively fixed nature. The upkeep and repair of our facilities, grounds and utility systems have been particularly demanding of additional resources. Minor construction of new facilities and improvement or alterations to existing facilities are required as a result of essential new functions, introduction of new weapons and equipment, changes in facility utilization, and modifications of older facilities to meet current standards.

Civilian personnel salaries, utilities, and directed environmental programs contribute to making base operations costs relatively fixed. The "light bill" has to be paid, along with expenses incurred in managing military lands for training and in protecting critical water and environmental resources. Funds are required for identification and correction of contamination which could jeopardize water supplies; for pollution abatement and hazardous waste management; for management controls in the protection of training areas; for the purchase of restrictive easements and planning studies in support of zoning changes; for completion of planning or impact analyses to maintain or expand training areas and training area capability; for assuring adequate pest control; and for upkeep of improved grounds and natural resource management units.

Civilian personnel

The Marine Corps adheres to a policy of using civilian personnel, in lieu of military men or women, to meet the needs of supporting activities to the maximum extent practicable. With this policy we can more effectively man the Fleet Marine Forces with Marines; improve Fleet Marine Force training, readiness, and manpower sustainability; provide continuity in operations; and provide specialized expertise to our supporting activities not otherwise available within the military community.

Military and civilian manpower resources are integrated to maximize efficiency and avoid duplication. Our request for 17,897 O&MMC direct funded civilian personnel in fiscal year 1988 and 17,832 civilian personnel in fiscal year 1989 is necessary to meet mission responsibilities while maintaining minimum military strength levels. There is no increase in the total civilian personnel strength requested in our

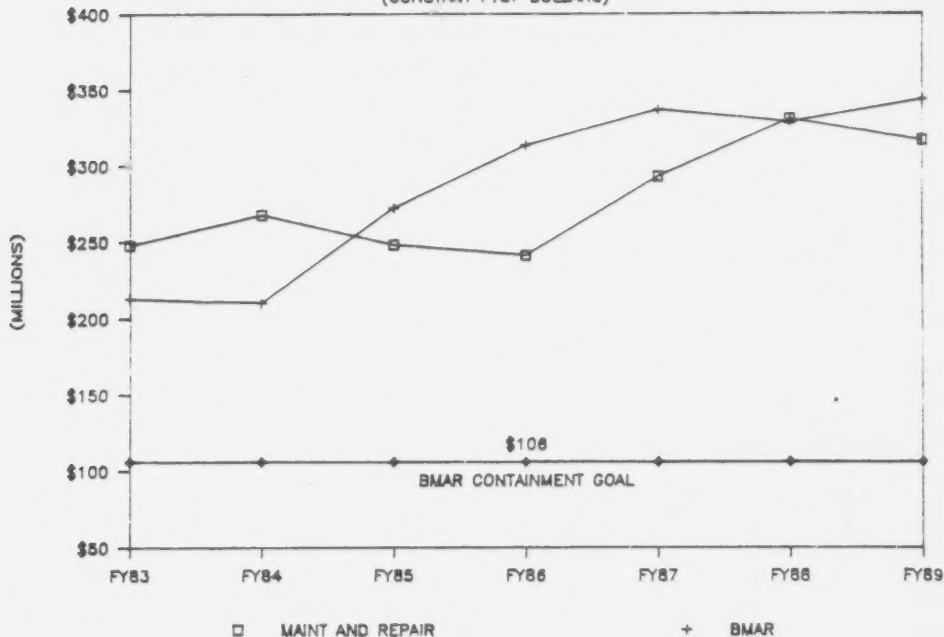
budget. Any degradation of civilian levels will result in a draw-down of military manpower from the operating forces, resulting in a decrease in readiness.

Real property maintenance activities and the backlog

The Real Property Maintenance Activities (RPMA) Program has a tremendous impact on the quality-of-life for our personnel. It includes operation of utilities, other engineering support—pest control and fire protection, among other things—minor construction projects costing less than \$200,000, and maintenance and repair of facilities. The funds requested for the operation of utilities, other engineering support, and minor construction in fiscal years 1988 and 1989 will satisfy our most pressing needs. The funds requested for maintenance and repair require more explanation.

Two years ago we recognized that, with our emphasis on capital investment in recent years, we had not been devoting enough funds to maintenance and repair. As a result, we were not keeping pace with escalating requirements, and the backlog was growing. At that time, it was not possible to alter the fiscal year 1986 funding levels. We decided, however, to increase funding in fiscal year 1987 and thereafter. We were not able to reduce the backlog of maintenance and repair (BMAR) with the fiscal year 1987 funding level, but we were able to slow its growth. Funding contained in the fiscal year 1988 and 1989 request for maintenance of real property requirements continues to attack the growing BMAR. The preceding chart depicts O&MMC funding for maintenance and repair of real property since fiscal year 1983 and compares this funding with the growing BMAR.

MAINTENANCE AND REPAIR VS BMAR
(CONSTANT FY87 DOLLARS)



Growth in new facilities funding since fiscal year 1981 has provided modern living and dining conditions at an unprecedented rate and has certainly contributed to the retention of Marines, as reflected by first-term reenlistment rates. This growth in new facilities is partially responsible for the growing maintenance and repair requirements. Other factors include inflation, complexity of new facilities, aging of our current plant, and human and technological factors. In spite of increased funding for maintenance and repair, we are too far behind the "power curve" to reach the congressionally mandated BMAR containment level, which for us is \$106 million.

With prudent management, we have been able to keep pace with "new" maintenance and repair work that must be done each year. On top of that, we have made a substantial dent in our existing BMAR, if one considers inflation. But any reduction

in funding for maintenance of real property will translate into a more rapidly increasing BMAR. Postponement of routine maintenance and repair, while allowing us in the short run to fund other high priority areas, results in even larger repair requirements for the same items at a later time.

BMAR is an important indicator of the condition of our bases. Unfortunately, during fiscal year 1985, it became clear that our old method of predicting BMAR was oversimplified and inaccurate. The Marine Corps subsequently developed a new methodology which more accurately predicts the relationship of funding to the reduction of actual BMAR.

The new model uses an historical relationship between maintenance and repair requirements necessary to support a certain plant value. Taking into account new plant coming on line, inflation and deterioration of facilities, the model predicts future maintenance and repair requirements. By estimating the funds available to meet these maintenance and repair requirements, the resulting backlog is predicted. Our new model has been operational for over a year. We are pleased to report the projection for fiscal year 1986 was within 4 percent of actual year-end BMAR, as reported by field activities, after taking into account actual funding available vice the estimate used in making the projection.

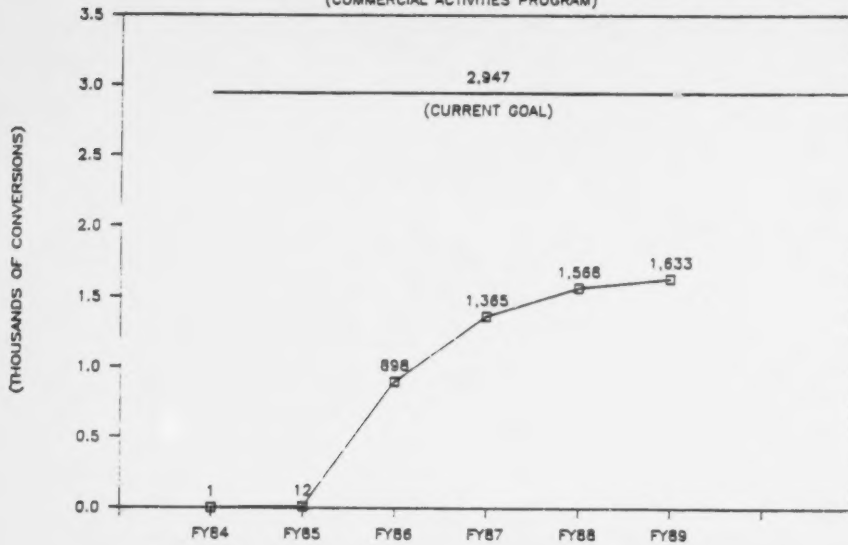
Support of the forces

Other programs in base operations are specifically for support of the forces and, as mentioned earlier, considerably enhance retention of personnel. Food preparation and serving equipment, the messhall facility improvement program, personnel support equipment (PSE), and MILCON collateral equipment are items which have a direct bearing on readiness. These programs provide the equipment for base facilities to make the individual Marine more efficient in daily activities, as well as contribute immensely to the Marine's physical and mental health. The maintenance, messhall, and barracks equipments funded by these programs may be commonplace items, but they are essential to readiness.

A program that benefits the individual Marine while contributing significantly to overall readiness is the Commercial Activities (CA) Program. Reviews relating to billets occupied by military personnel, such as those in the Fleet Assistance Program, result in personnel being reassigned to military-essential duties. While the Marine Corps has had some difficulty in achieving the desired rate of progress in the CA Program, the major problems have been worked out, and the program is gathering momentum. The preceding chart provides the number of military conversions conducted under the CA Program, with projection for fiscal years 1988 and 1989.

CUMULATIVE MILITARY CONVERSIONS*

(COMMERCIAL ACTIVITIES PROGRAM)



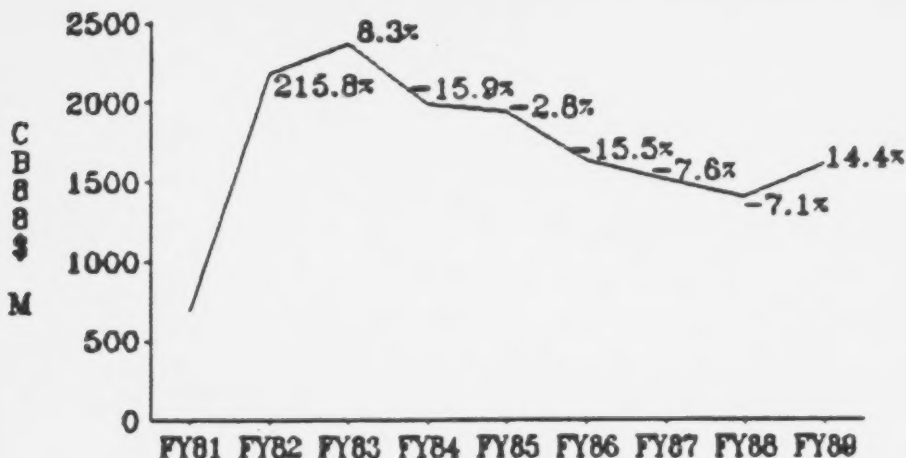
*These numbers include Fleet Marine Force Marines performing shore facility functions in support of the Fleet Marine Force. Once conversion to contract is approved, these Marines will be able to return to their parent Fleet Marine Force unit to perform their primary duties.

B. Procurement, Marine Corps

The Marine Corps' procurement request totals \$1.4 billion in fiscal year 1988 and \$1.6 billion in fiscal year 1989. As the following chart demonstrates, funding for Procurement, Marine Corps (PMC) has been in a decline, in real terms, since fiscal year 1983, although this trend is reversed in 1989. These are three reasons for the trend. First, we have increased O&M funds to operate and maintain equipment purchased earlier in the decade and over-aged equipment not yet replaced. Second, some major programs like the Light Armored Vehicle and the Assault Amphibious Vehicle have been completed. Third, various congressional actions have decreased investment funds.

PMC REAL GROWTH

1988 President's Budget Submission



In our current request, we continue with key programs such as increasing ammunition sustainability, improving our missile capability with more lethal devices, and outfitting our forces with improved small arms and combat vehicles. We will complete some programs such as the Position Azimuth Determination System (PADS), the Medium Extended Range Mortar, the M1 Tank Trainer, the Improved Direct Air Support Center, and the Wet Gap Bridge System. New starts have been kept to a minimum, but one significant new program is our M1 tank procurement. A brief review of our fiscal year 1988/89 request by budget activity follows.

Ammunition

Approximately 29 percent of our fiscal year 1988 PMC budget is dedicated to the procurement of ammunition. This will enable us to attain Defense Guidance levels in all but a few selected types of ammunition by the end of the funded delivery period.

The Marine Corps assigns top priority to the training of personnel. Availability of ammunition is essential to support this readiness training. Our fiscal year 1988 and 1989 request provides full funding for all ammunition training requirements.

Weapons and combat vehicles

We are continuing our Product Improvement Program (PIP) for the Assault Amphibious Vehicle (AAV) in fiscal year 1988. When completed, the PIP will improve battlefield survivability of the vehicle with the addition of applique armor. Maneuverability and waterborne safety will be enhanced by the addition of a bow plane. Firepower will be increased by replacing the current weapons station with a new .50 caliber machine gun and a MK/19 grenade launcher.

Other weapons being continued include the M16A2 Rifle, the 9mm Personal Defense Weapon, the Squad Automatic Weapon (SAW), and the 5.56mm Carbine.

The M16A2 rifle is a product improved M16A1 with adjustable rear sights, stronger barrel, 3-round burst capability, and improved handguards. The 9mm Personal Defense Weapon is the replacement for the .45 and .38 caliber pistols. The SAW is a lightweight, 5.56mm individual automatic weapon. It can use either a 200 linked-round magazine or the standard 30-round magazine. The MK-19 fires linked, armor-piercing 40mm grenades which will help counter the growing number of infantry fighting vehicles possessed by potential adversaries. The 5.56mm Carbine will provide capability against dismounted infantry forces to a maximum range of 30 meters. The carbines will be used by small-unit leaders and reconnaissance personnel and will replace selected pistols on a one-for-one basis.

An intensive study of Marine Corps armor capability was recently completed, and the results confirmed the urgent need to replace the aging M60A1 with the M1A1 and to restructure Marine tank units accordingly. In February 1985, the Commandant approved the decision to replace the current 716 M60A1s with 560 M1A1s beginning in 1989. This will require a fiscal year 1988 start for long lead items, a tank trainer, and 120mm ammunition.

Missiles

Our capability to engage the threat, both air and ground, has increased significantly over the past few years. With our fiscal year 1988 request, we will attain 69 percent of our HAWK, 58 percent of our Stinger, and 18 percent of our TOW-2A requirements. Additionally, significant savings will be achieved through the multi-year contract procurement strategy for the Hawk, Stinger, and TOW.

The Dragon PIP warhead procurement will be initiated this year. This warhead retrofit is required to defeat the present armor threat. The new warhead will enhance armor penetration by 85 percent over the current warhead's capability. Retrofit of the entire Dragon inventory will be completed with the fiscal year 1990 program. The planned replacement for the Dragon is the Advanced Anti-tank Weapon System-Medium (AAWS-M) currently under development by the Army.

Communications and electronics

Our major fiscal year 1988 acquisitions of communications and electronics equipment needed to provide adequate command and control include the Unit Level Circuit Switch (ULCS), the Tactical Air Operations Module (TAOM), Night Vision equipment, and ADP equipment.

The joint service ULCS is a family of joint tactical, automatic switching equipment that, for the first time, will provide a secure telephone communications capability to the Marine Air-Ground Task Force. This system will form the backbone of the Marine Corps' tactical common user telephone system and is a major component in the Marine Corps' transition from analog to digital communications.

The Congress, during its deliberations on the fiscal year 1987 Appropriations Act, approved and funded the revised Marine Corps acquisition strategy for the 150-line AN/TTC-A2. This strategy allows procurement of this urgently needed switch in fiscal year 1987, provided it passes a Marine Corps Operational Test and Evaluation Agency (MCOTEA) test at the Joint Test Element, Fort Huachuca, Arizona. Procurement of the 30-line SB-3865 was previously approved by Congress for fiscal year 1986. The Marine Corps will continue to keep Congress informed of program progress and status.

The Tactical Air Operations Module (TAOM) is a joint service system (Marine Corps and Air Force) which provides for automatic detection, tracking, and identification, in real time, of all aircraft and missiles in a given area. TAOM provides the means to acquire and track air targets and to maintain voice and data communications with other command and control systems.

In fiscal years 1988 and 1989, we initiate a two-year major buy of the TOW night sight to complete a buyout of this item. This equipment will provide day/night capability to detect, recognize, and identify armored vehicles under adverse battlefield conditions. These sights are hardened against hostile electro-optical sources.

Our ADP requirement consists of several major programs, the most significant of which are the central processing unit (CPU) upgrade, magnetic tape drives, and the Marine Corps Data Network (MCDN) front end processor. The CPU upgrade will provide the capacity needed to handle exponentially growing requirements generated by new automated information systems. The magnetic tape drives will provide the technology to upgrade our magnetic tape equipment and allow for suitable backup of our daily processing requirements. The MCDN program will provide replacement communications processors thereby allowing for a greater number of data communications circuits and faster trunk speeds throughout the Marine Corps.

Support vehicles

We have made tremendous progress in this area. We have virtually replaced our tactical vehicle fleet over the last 6 years. We started in fiscal year 1982 with vehicles at or approaching obsolescence and are now in the process of fielding a modern, effective, light and heavy vehicle fleet that is responsive to contemporary combat needs. However, we have not yet completed our full modernization program. We must continue procurement of our Logistics Vehicle System and trailers, as well as progressively replace our aged commercial passenger and cargo vehicles.

The Logistics Vehicle System is a highly mobile, very versatile, 16-ton class vehicle. A wide variety of interchangeable rear body units can be attached to a powerful

front-end power unit. The procurement of our general purpose trailers and commercial vehicles will continue through fiscal year 1992.

Engineer and other equipment

We are continuing with our replacement program of various types of over-age engineer type equipment. This equipment will provide our forces more mobility, individual and equipment protection, and the necessities of life.

We are requesting funds to buy various types of modern cranes, tractors, forklifts, water and fuel modules, wet gap bridging, shelters, containers, and training devices. The importance of the contribution of these items to combat capability is often overlooked. In fact, they have often been the first to absorb budget reductions. Consequently, most of these ongoing replacement programs will continue into the 1990s.

We have also made significant progress in replacing aging telephone systems at Marine Corps bases, as well as strengthening physical security requirements throughout the Marine Corps.

Spares and repair parts

Our fiscal year 1988/1989 request for spares and repair parts will enable us to meet all initial spares requirements and to satisfy 85 percent of anticipated requirements for replenishment items. This replenishment attainment is sufficient to maintain fielded operational equipment at acceptable readiness levels.

C. Military Construction and Family Housing

These two programs are largely related to the quality of life provided our Marines at work and off duty, although Military Construction also contributes directly to military capability when it provides operational and maintenance facilities.

The fiscal year 1988/1989 MILCON request sustains efforts started in prior years to improve the operational readiness of the Marine Corps and, at the same time, provides those quality-of-life improvements so necessary to attract and retain dedicated individuals to serve in the Marine Corps. We plan to provide 8,698 adequate living spaces in bachelor housing; 1,032 family housing units; 160 mobile home spaces; and 8 child care centers in 1988/1989. There are 36 projects proposed for maintenance hangars, depot level maintenance and test facilities, and electronic communication and combat vehicle maintenance facilities.

Overall, the fiscal year 1988/1989 family housing request is well-balanced and addresses the most immediate requirements within the constraints of affordability.

D. Marine Corps Stock Fund

In recognition of the fact that your charter includes oversight of Revolving and Management Funds, we will now discuss the status of Marine Corps operations in that area, beginning with the stock fund. This year, for the first time in recent history, there is no display in the budget of the Marine Corps Stock Fund's current program and requirements. OSD has directed that the Marine Corps Stock Fund be consolidated with the Navy Stock Fund effective 1 October 1987. Consequently, Marine Corps needs in fiscal years 1988 and 1989 for stock-funded Prepositioned War Reserve (PWR) and Peacetime Inventory Augmentation (PIA) requirements, which we would normally present directly to you, are included in the Department of the Navy (DON) Stock Fund request. While the details of the merger of the two funds are still being negotiated, we are working hard on procedures that will ensure retention of the required level of visibility and management control over the resources appropriated for the Marine Corps.

Our request for appropriated funds in fiscal years 1988 and 1989 as reflected in the DON Stock Fund, is as follows:

[Dollars in millions]

	Fiscal year—	
	1988	1989
PWR.....	31.0	38.0
(System PWR)	(28.6)	(35.1)
(Land PWR (Norway))	(2.4)	(2.9)
PIA.....	1.9	1.4
Total.....	32.9	39.4

The System PWR request is for war reserve stocks which will be held in inventory until such time as the material is needed to support and sustain operational force capabilities of the active Marine Amphibious Forces and the Reserves 4th Division/Wing Team. The funds requested for System PWR in fiscal year 1988 will provide 48.3 percent attainment of the objective specified in the Defense Guidance for System PWR. The addition of the fiscal year 1989 request will bring the attainment level up to 60 percent. The Land PWR funds are required to provide the rations, food supplements, and fuel bars required for the Norway Prepositioning Program.

The fiscal year 1988 and 1989 PIA requirements are to support force modernization and readiness and sustainability initiatives. The requested funds will provide initial stockage of items for which Marine Corps will be the DoD Integrated Material Manager, as well as provide for nondemand-based increases to our retail inventory.

E. Depot Maintenance/Marine Corps Industrial Fund

The Marine Corps operates two industrially funded Depot Maintenance Activities at our logistics base at Albany, Georgia and Barstow, California. As mentioned earlier, our logistics bases also store and maintain our end item pipeline assets and our war reserve stocks, to include initial issue stocks for Reserve activation. In addition, we host a Naval Air Rework Facility (NARF) at Marine Corps Air Station, Cherry Point, North Carolina, the NARF is operated by the Navy with Marine Corps participation.

Our Depot Maintenance Activities are staffed to perform maintenance on the full range of ground combat, combat support, and combat service support equipment employed by the Marine Corps. They represent more than a depot-level overhaul capability. Their capabilities cover the complete spectrum of equipment maintenance from tanks to rifles. They install Marine Corps-peculiar modifications to initial issue and prepositioned war reserve assets, correct equipment deficiencies, inspect assets held in inventory, and fabricate low density items not readily available from the commercial sector to support the Fleet Marine Forces and current production lines. Each activity also supports the Marine Corps Reserve by providing on-the-job training and selected equipment repair during annual summer training duty.

V. WHERE OUR FISCAL YEAR 1988/89 REQUEST LEAVES US

The funding levels the Marine Corps is requesting for fiscal years 1988 and 1989 will enable us to continue moving forward, although at a reduced pace when compared to earlier in this decade.

The M1A1 tank is a major initiative for the Marine Corps. The 66 tanks in our fiscal year 1989 budget represent 12 percent of our objective of 560. We will need to significantly increase our annual buy of this weapon. First, having committed ourselves to replacing the M60, we need to avoid a lengthy period of supporting two tank systems. Second, we need to be able to take advantage of economic production considerations. Other major procurement items with 50 percent or less attainment through our fiscal year 1989 program include ULCS and TAOM.

The requested fiscal years 1988 and 1989 O&MMC funds maintain the combat readiness and rapid deployment capability of two Fleet Marine Forces, composed of three Marine Amphibious Forces, task organized from three Marine divisions, three Marine aircraft wings, and three force service support groups. O&MMC funds also support Marine detachments afloat and security forces assigned to Naval stations and other Government activities ashore. O&MMC funded shore facilities supporting the Fleet Marine Forces and other training functions include 4 major ground unit support bases, 10 air installations, 2 recruit depots, 2 logistics bases, 2 landing force training commands, and a development and education command.

In recent years the Congress has authorized and appropriated the funds to provide Marines with new weapons, equipment, training, and facilities. Because of your support, the Commandant has expressed his "... firm conviction that our readiness to go to war today is the highest it has been in our peacetime history." These enhancements were urgently needed, and we are indeed grateful for what you have made available to us. Our concern now is our ability to maintain this investment for the Marine Corps. We are acutely aware of our obligation to ensure good Marines are recruited, trained, and retained; and to ensure that our new weapons and facilities are operated to their full potential and properly maintained. In recognition of this obligation, we seek your continued support.

VI. OUTYEAR (FISCAL YEAR 1990-1992) IMPACT ON DEFICIENCIES

The obvious question now is what will we be doing in the outyears to eliminate our deficiencies. We certainly intend to deal with them all, to the best of our ability, but the uncertainties of the defense budget between now and 1992 make any effort to be precise and definitive difficult. Traditionally, our outyear projections have been overly optimistic.

In the procurement area, our current program accommodates our requirements for the M1A1 tank, ULCS, TAOM, small arms and tactical vehicles. We move toward the full acquisition objectives of our HAWK and Stinger missiles. Our ammunition inventory will be qualitatively improved, and we will have made good progress in replacing our over-age engineer equipment. Finally, essentially all major equipment deficiencies in the Reserve components will be eliminated.

The outlook for MILCON and family housing may not be as bright. Although our projections show some real growth, we expect that the budgets you will see in the years ahead will leave us with flat growth with marginal increases to account for inflation.

The basic challenge we face is how to fund our modernization initiatives during fiscal years 1990 through 1992. We will strive to sustain and improve our overall military capability while we are buying our tanks and other major items, but it may be difficult in the event of reduced defense appropriations.

VII. SUMMARY

The Marine Corp's readiness, sustainability, and support posture has never been higher. It is high because of our dedication to quality: quality people, improved quality of life, the finest weapons and equipment, and realistic integrated training. We know we can fight effectively on today's battlefield, and we are confident we will be capable of meeting the demands of tomorrow's battlefield.

As the Commandant stated, the request before you, like those of the past, is well-considered and austere. You have supported us well in the past, and we look forward to your continued support.

Senator WIRTH. General Went, thank you very much. We appreciate your statement, and your brevity, and look forward to getting to questions and answers with you.

Our third witness is Lt. Gen. Vincent Russo, the U.S. Army Director of the Defense Logistics Agency.

General Russo, I thank you for being here and we look forward to hearing from you.

**STATEMENT OF LT. GEN. VINCENT M. RUSSO, U.S. ARMY,
DIRECTOR, DEFENSE LOGISTICS AGENCY**

General Russo. Thank you, sir.

Mr. Chairman, members of the committee. I too appreciate the opportunity to appear before this committee as the now not-so-new Director of DLA, having taken command on July 9 of last year. I also have some members of my staff here to assure we are fully responsive to your questions.

I have a prepared statement for the record, and with your permission I would like to make some brief remarks and show you a few slides to provide a perspective of my command. Let me have the first one, please.

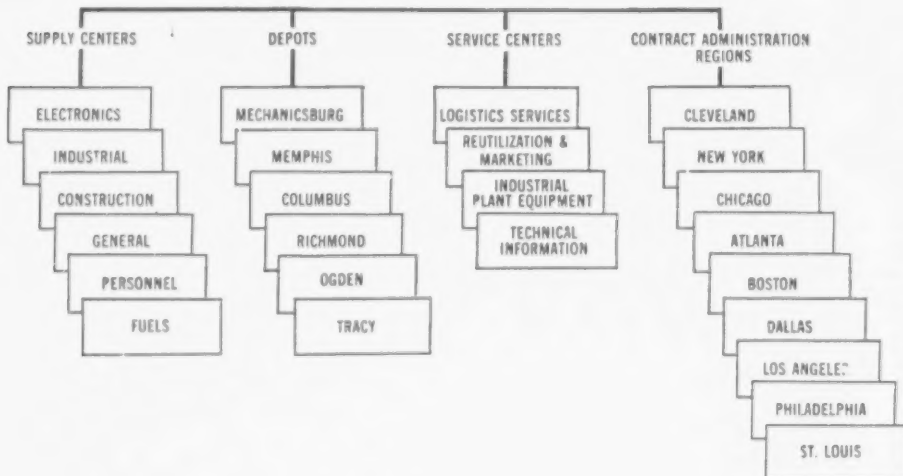
MISSION

SUPPLY SUPPORT

CONTRACT ADMINISTRATION SERVICES

TECHNICAL AND LOGISTICS SERVICES

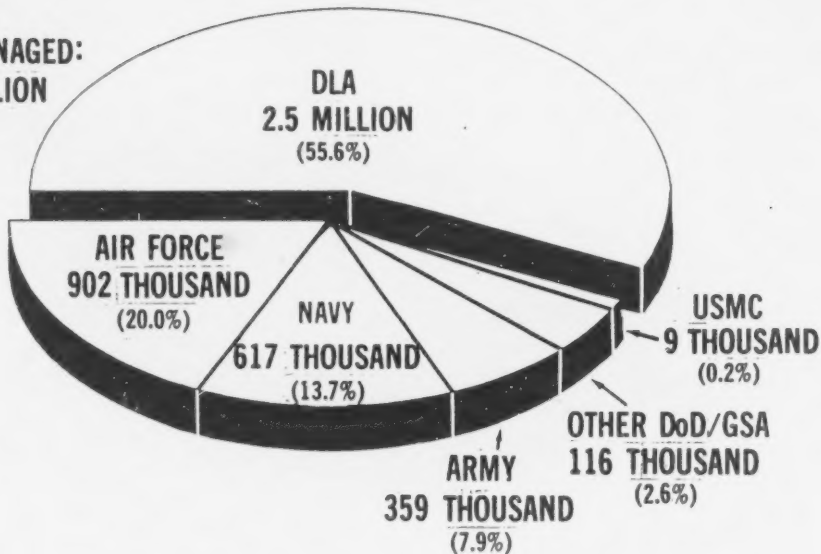
The mission of DLA is depicted here and is to provide effective and efficient supply support, contract administration and a host of technical and logistic services. We also have a sizable procurement function in support of these missions. We have some 54,000 personnel to carry out these tasks.



This next slide reflects the organizations that report directly to me.

DoD ITEM MANAGEMENT FY 1986

ITEMS MANAGED:
4.5 MILLION



This next one reflects the relative importance of DLA in the overall DOD item management responsibilities. Essentially, as you can see, we have the bulk of that particular area of mission performance.

Senator WIRTH. When you say "items," those are items in the inventory? Is that right?

General Russo. Yes, sir.

Senator WIRTH. You are keeping track of that many different individual things?

General Russo. That is correct. We have 55.6 percent of the total of the items that are managed within the Department of Defense, but these other numbers are associated within the respective services. So I guess the point I would make from this chart, and I am going to mention it briefly later, is that in terms of things such as readiness, I do not have a force to tell you how good my readiness is other than my own folks in doing our mission. Rather, I am linked inextricably, in my view, to the services and the forces that are in the services and in the deployed CINCs.

So to the extent that you hear, whether it was previously from the Joint Logistics Commanders or today, that the readiness in the forces is perhaps higher today than it has ever been before, I take from that that we in DLA must be doing reasonably well. Because it is difficult for their readiness to be up if I am not holding down my end.

Senator WIRTH. Of course. That is an enormous job. We are now managing in the military 4.5 million separate items, so you are managing 2.5 million separate items. How does that as a number of

different items managed by the Armed Forces compare to what it was 10 years ago, 20 years ago, or 30 years ago? Do you know?

General Russo. Sir, there has been a growth. Certainly in our area there has been a growth due primarily to things such as force modernization where on the one hand we bring in a new weapon system, but on the other hand we do not wash out completely the old weapon systems. So we, particularly in my agency, have to assure that we have supply support for both the old as well as the new. So there has been a growth over time of the items that we are managing.

In terms of inventory growth over the last couple of years, we have seen a 20-percent growth.

Senator WIRTH. Over what period of time?

General Russo. 2 years.

Senator WIRTH. In the last 2 years you have seen a 20-percent inventory growth. Is that in the number of items, or the total number of items controlled?

General Russo. That is the dollar value of the items that we have inventoried. We see a corresponding and similar growth in terms of numbers of storage locations. In part that is because we like to try to position our items closer to the customer. So we may have one item in two storage locations. So they both count as storage locations, and we have seen growth in that area as well.

Senator WIRTH. Excuse me. Keep going. I am sorry about that, General Russo.

General Russo. But, sir, it is easy for me to stand up, anyway. As a matter of fact, sometimes it is an easier place to dance from than it is sitting down. [Laughter.]

Senator WIRTH. Sort of stand up and try to hide the 2.5 million items. I do not blame you for a minute. [Laughter.]

General Russo. Sir, the rest of my comments talk to that relationship with the services. Let me have the next slide, please.

SUPPLY DEPOT OPERATIONS

NUMBER OF DEPOTS	6
LINE ITEMS SHIPPED & RECEIVED	20,197,000
ON-TIME PERFORMANCE	97%
LOCATOR ACCURACY	99%
NUMBER OF PERSONNEL	8,600

Sir, this slide depicts our depot workload and performance. Slide off.

Going to the point of where we are tied directly to the services, we have had some problems with supply availability over the last couple of years. It has been on a downward trend. We think we have bottomed out at 88 percent, and that it's beginning its way up.

By inference, then, we think we are going reasonably well in supporting the forces in terms of both readiness and sustainment. Does that mean that we have no problems? The answer clearly is "no."

We have continuing problems in the clothing area, which we are working very hard to fix with full disclosure to and cooperation with the services. Similarly, in the area of spare parts support, we have periodic hic ups where an item must go into a back-order status. This too is being managed very carefully.

In the area of sustainment, we are fully into an expansion of our vendor sources of supply to provide a broad base to support expanded needs should they arise. We have a very direct dialogue with the services to ensure we know their mobilization needs and requirements. We are looking at ourselves to ensure our procedures and communications links are in place to support mobilization, and periodically exercise those procedures to ensure they do the job.

One of my major problem areas is automation and the extent to which it can support both my peacetime and wartime needs. My systems are old, dating back to the software philosophies of the 1950s and 1960s. They are also saturated. I do not think we have the type of decision support systems which will allow us to manage better in an era of reduced resources. We are working both short-term and long-term solutions to these problems.

Another area of concern is the saturation of my depots. This is caused, in some measure, by a variety of factors some—of which I alluded to earlier—which add items but do not necessarily delete anything, and our desires not to dispose of material which have either a peacetime need to include the foreign military sales area, or a potential mobilization need.

I must add another concern which does not necessarily impact on the readiness of our forces, but on the health of our people in the communities in which we live. That is, the area of hazardous waste disposal. We need to provide the necessary facilities to safely store such wastes until they can be disposed. Our fiscal years 1988 and 1989 budgets include the resources necessary to help neutralize a portion of these concerns.

Mr. Chairman, this concludes my prepared remarks. I will be pleased to take your questions.

[The prepared statement of Lieutenant General Russo follows:]

PREPARED STATEMENT OF LT. GEN. VINCENT RUSSO, U.S. ARMY, DIRECTOR, DEFENSE LOGISTICS AGENCY

Mr. Chairman and Members of the Subcommittee: I am Lt. General Vincent M. Russo, Director of the Defense Logistics Agency (DLA). I assumed that position last July, so this is my first appearance before your Subcommittee in that capacity. I appreciate your invitation to share with you our views on our ability to meet the peacetime and wartime logistics requirements of the Armed Forces. This is the sole reason for the existence of the Defense Logistics Agency.

First, let me say that the Defense Logistics Agency is blessed with a professional and dedicated workforce. I want to make that point early because we believe that people are our most significant resource and are crucial to any success we may achieve in performing our mission.

DLA OVERVIEW

You asked me to talk about our role in the key measures of military capability . . . readiness and sustainability. It is thus necessary to outline briefly the missions of our organization to provide a framework for my comments. DLA exists principally to support the Commanders in Chief (CINCs) and the Military Services. We provide support in supply, contract administration, a wide range of technical services, and reutilization and marketing of excess Department of Defense property. We also have a sizeable procurement function. We run a large business, and we are trying to do it in a professional and business-like fashion. Our overall workload, which has been increasing in recent years, reflects the added confidence placed in the Agency by its Military Service customers.

Let me be specific. We are responsible for the purchase and distribution of almost all the fuel within the Department of Defense. This includes a major responsibility for the procurement of war reserves to meet CINC requirements within guidelines and priorities established by the Joint Chiefs of Staff and the Office of the Secretary of Defense. Similarly, we are responsible for the purchase and distribution of subsistence to the service members. In peacetime, this includes most of the procurement and distribution of subsistence items to support the commissary systems. We also buy and distribute to the Services virtually all their clothing and textile items and medical supplies.

We are responsible for about 56 percent of the total items managed within the Department and almost 70 percent of the consumable items. In fiscal year 1986, our Stock Fund bought \$12.3 billion worth of supplies in support of the Military Services.

We filled about 29 million requisitions in fiscal year 1986 for petroleum products; food; military clothing; and medical, construction, industrial, electronic, and general supplies. Items we manage are used in every weapon system in our operating force. About one third of the items we manage have been identified by the Military Services as critical to the operation of weapon systems.

Here is a representative display which reflects the percent of stock numbers of Service weapon systems managed by DLA.

	Percent
Army:	
AH64 Apache	53
Patriot Missile.....	66
Navy:	
Trident Submarine.....	75
AV-8B Carrier	80
Air Force:	
F-15 Eagle	67
Peacekeeper Missile.....	60
USMC:	
Assault Amphibious Vehicle (PERS)	90
Light Armored Vehicle	89

We operate six depots which received and shipped over 20 million line items in fiscal year 1986 with approximately the same number of people we had in 1964, when we shipped only 6.2 million lines.

We perform Contract Administration Services for each of the Armed Services. This involves assuring that the contractor's total performance is in accordance with contractual commitments; assuring contractual quality requirements are met; and paying contractor invoices.

The Contract Administration Services workload increased over 11 percent in fiscal year 1986, with 482,000 contracts on hand at the end of the year. During the year we made payments to contractors of \$50 billion representing nearly 2 million invoices. We also obtained over 99 percent of the discounts called for under the contracts we paid, and we incurred only \$179,000 in late payments interest penalties.

In addition, we provide numerous other services to the Armed Forces. Through the Defense Reutilization and Marketing Service, in fiscal year 1986, we managed the reutilization and sale of DOD surplus property having an acquisition value of \$5.9 billion. This involved the receipt and reutilization or disposal of over 5 million items. Through our Reutilization program we also accept excess environmentally

regulated material from the Services and arrange for its disposition. One aspect of this function which has assumed increased importance in the last few years is our responsibility to dispose of hazardous waste for the Department.

We operate the Federal Catalog System, which provides descriptive and technical information on over 5 million items to DOD and other users. The entire DOD logistics system is heavily dependent on this activity.

DLA also maintains a repository of scientific and technical data so the Department can avoid duplication in research and development efforts.

We are a major operational player in the DOD Logistics System and play an essential role in readiness. The work we do at DLA helps to keep our forces combat ready in the field and contributes to the overall management of DOD programs.

READINESS

How well do we support the Forces? The primary measure is our ability to provide supplies to the Services when and where they need them. In fiscal year 1986 our overall stock availability, the percent of time we have an item in the system to fill a Service requisition, was 87.9%. For the critical Weapon System items, where we provided more intensive management and higher stockage levels, it was 88.3%. While our fiscal year 1986 stock availability was the highest in DOD, it was well below the 91.9% we achieved in fiscal year 1983. We have had problems in this area which I will address later. However, I see signs that we have bottomed out, and I am hopeful that we will be at 90% by the end of fiscal year 1988.

Also contributing to readiness is our procurement and management of fuel war reserves. The Military Services have the responsibility to fund and acquire prepositioned reserves for most commodities. However, we have the responsibility for all but a small part of the fuels requirements. Our people provide intensive management through constant, interactive discussions with the Joint Petroleum Offices of each Unified and Specified Command as well as the Military Services. We give this area the highest priority in our budget submission. We are limited by the lack of adequate storage space in some of the areas that have been identified to us. As we acquire the storage space, either through lease, purchase, or construction, we are able to improve our posture. You will see requests for both additional storage and additional fuel in our budget submission.

Our contract management and quality personnel also contribute to readiness. As the Subcommittee is well aware, the Department of Defense has a challenge in obtaining quality products that conform to the Contractual requirements. The people we have at some 29,000 contractors' plants, either full-time or on an itinerant basis, do their best to ensure that our operating forces receive equipment that does what it is supposed to do. While we do have problems in this area we are doing much better, thanks in large part to the emphasis placed on this area by my predecessor, LTG Don Babers.

There is another facet of readiness that some may overlook, but it is very important—that is the readiness of our workforce. We attend to this in several ways. First is training with our focus on doing things right the first time. Second, we participate in almost every joint exercise that occurs, so that we sharpen our procedures and communication links. Third, we strive to improve the workplace for our people; and finally, we are enhancing the few family housing units (70) that we have. This entire aspect of readiness is addressed in our budget.

SUSTAINABILITY

On the issue of sustainment, we play an important role in several dimensions. First, as I mentioned, we are responsible for the prepositioned reserves for fuel. We are also responsible for the back up reserves for other commodities. While the Services have the responsibility to fund and hold the prepositioned reserves for the other commodities managed by DLA, we buy the items for the Services upon their request.

We work closely with the OJCS, the Unified Commands and their components, and the Military Services to assure that we have identified the right types of items needed. This is an interactive process, based on changes in equipment and usage rates.

Substantial new emphasis is being placed on our activities to assure the availability of a domestic industrial base to provide supplies during peacetime, surge and mobilization conditions. Increased efforts are being made to improve mobilization planning procedures, to develop acquisition strategies that enhance the maintenance and expansion of crucial industrial facilities and to exploit new manufacturing technology.

In some instances, we have to make "life-of-type" buys to assure adequate supplies of items which the original manufacturer and/or industry indicate they will no longer produce. For example, in fiscal year 1986 we purchased approximately \$58 million of electronic parts through our stock fund in this category. These parts will fill peacetime and wartime needs.

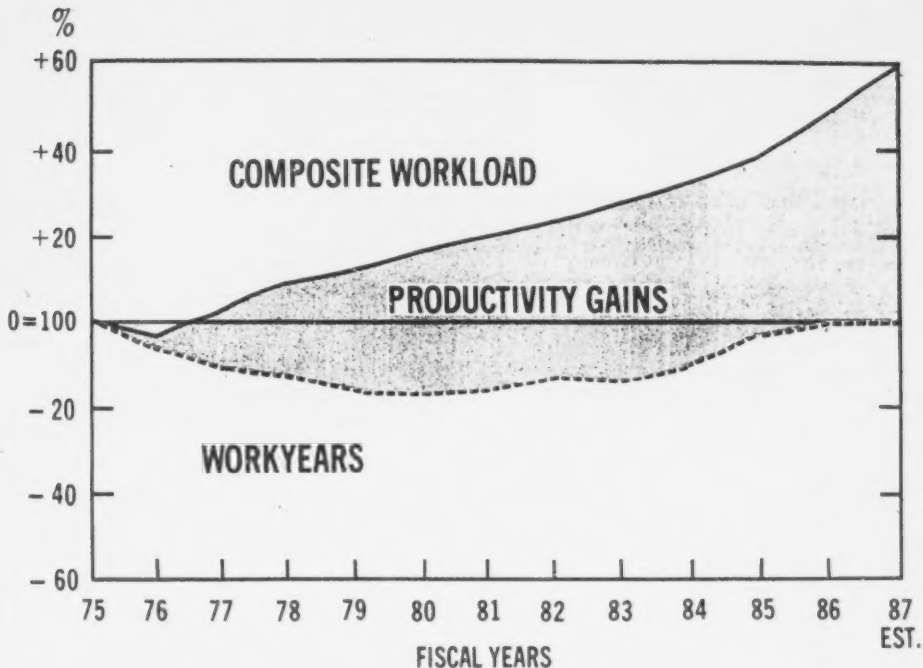
We are engaged in discussions with the Services to assure we understand as clearly as possible their mobilization needs. Our participation in the joint exercises helps ensure we will provide responsive and continued support when called upon.

ACHIEVEMENTS

You asked that we outline recent achievements. We believe we have bottomed out in our supply availability area where we are now at 88.2% and on the way up. We have initiated several actions, to include a paperless small purchase procurement system, which are having a significant impact on reducing our procurement administrative lead time. Our Defense Supply Centers achieved a competitive purchase rate of 91.7%, our highest ever, and the highest in DOD. We have realized savings from our value engineering and spare parts breakout program of \$107.1 million. In the area of hazardous waste disposal, we still have problems which I will discuss later, but we are making progress. We currently have 46 conforming storage warehouses under construction or completed. The standard construction design we have developed for site adoption to each location will help us build even more. As I mentioned earlier, our achievements in support of readiness in the Military Services extend into the world of contract administration where we place great emphasis on assuring quality products. We have expanded the training of our Quality Assurance personnel both in Contractor Plants and in our Depots where we perform a limited technical inspection upon receipt of the items. Overall, about 4% of our personnel costs was spent in formal training.

I believe that we can be very proud of our productivity achievements. At all levels our people are fully committed to reducing the cost of doing business. Attached to my statement is a graph which displays the achievements over the last ten years in offsetting workload growth. As the graph indicates, we have been able to offset significant workload growth, notwithstanding the increase in complexity that has taken place during the same period, due in part to the changes in procurement laws and regulations and efforts to improve quality.

DLA PRODUCTIVITY



We have a number of productivity initiatives underway or under development. We have instituted "Productivity Gain Sharing" at three activities. Under this initiative we share the productivity gains with the employees in the form of cash payments. We will shortly give them the opportunity to choose time off. We are currently developing a "Pay for Knowledge" test at our supply depot in Ogden, Utah. This initiative will be patterned after several successful programs in industry. If we can emulate that success, we will have a more highly motivated, multi-skilled workforce, and we will reward the employees accordingly. I am also very proud of our employee participation under the Model Installation Program. Our men and women have come up with over 1300 innovative proposals, some of which have resulted in measurable cost savings. We have recently expanded the Model Installation Program from the original six test sites to all of our 25 primary level field activities. DLA's Quality Circle Program presently includes 357 circles and has over 2500 active members. Programs like Model Installations, our Quality Circle efforts, and the investment funds we have requested for our ADP efforts will continue to provide savings in the future.

PROBLEMS

You asked us to outline the remaining problems in Supply Support. Our supply function is supported by automated systems which address the total process from the computation of requirements through procurement; to receipt, storage and issue of the items to customers; to payment of the contractors. The system is useable but somewhat archaic in that it is based on software concepts of the 60's and is terribly difficult and time-consuming to change. We are partially fixing this problem with near-term enhancements. Concurrently, we have embarked on a major overhaul which will attack and change the process of how we do business.

This problem exists across all of our major systems. This agency is heavily dependent on automation. Our volumes are extremely large, as I indicated earlier. We need to change the way we do our business and take advantage of new technology. However, we still have a long way to go before we have defined our requirements well enough to develop new systems. In the meantime, we must continue to make short term improvements to our existing systems. Our challenge is to ensure that

our short term improvements will provide a payback and are consistent with our long range direction.

Another problem is the saturation at our depots. The inventory levels in DLA depots have grown by more than 20% over the last two years. This has been caused by item transfers from the Services and new provisioning requirements as well as changes in the Defense distribution system. Many items previously stocked in Military Service depots are now in DLA's depots. This trend is expected to continue for the foreseeable future due to force modernization and continued item delegations from the Services. Storage space occupancy is following the same general course. DOD standards recommend no more than 85 percent occupancy of a warehouse to allow for operating space. As of December 1986, our occupancy rate was at 92 percent. All DLA distribution warehouses are full. Significant increases in material in storage, without commensurate increases in available storage locations, have caused operational problems such as reduced inventory accuracy. Also, the increased level of effort required to rewarehouse material to accommodate incoming stocks increases the overall cost of our depot operations as well as further degrading inventory accuracy. Our budget request addresses this problem.

Finally, regarding the environment, we have a difficult challenge in meeting our responsibilities to contract for the ultimate disposal of hazardous and toxic material. I'm not talking about ammunition and nuclear waste, but paints, solvents and the like which also damage the environment. We need to conform to the Resource, Conservation and Recovery Act of 1976; most of our storage facilities do not. We have a requirement to build 197 of these facilities. Unfortunately, because we are having difficulty in obtaining permits, our budget request is well below our overall requirement.

I am concerned about the environment in which our people work. To ensure additional gains in our support to the Armed Services we need to keep a qualified, trained workforce. We are stressing modernization of our facilities and improvements in working conditions for our people. I am convinced that we can amortize the investments we make in our people and facilities over a very short time period.

Fiscal year 1988/1989 budget request

I would now like to address our fiscal year 1988 and fiscal year 1989 request, particularly the accounts under the jurisdiction of this subcommittee. The overall request is as follows:

[Dollars in millions]

	Fiscal year—		
	1987	1988	1989
Operations and maintenance.....	\$1,814.6	\$2,017.3	\$2,012.2
Procurement, defense agencies.....	102.9	97.2	119.6
Military construction.....	22.1	79.0	101.7
Family housing.....	.4	.7	.5
Research, development, test, and evaluation.....	32.6	47.8	51.6
Stock fund.....	47.2	207.6	122.7
Total.....	2,019.8	2,449.6	2,408.3

Since you already have our detailed budget justification, I am not going into much detail in my statement. I believe that you will see that our request is directly linked to the concerns of this committee.

The most significant part of our request is the pay of the people it takes to perform the missions that I discussed in the earlier part of this statement. Seventy-three percent of our Operations and Maintenance request is for the pay of people. The Operations and Maintenance increase is largely driven by the full year impact of the new federal retirement system and the January 1987 pay raise. The request also includes a commitment to a 3% productivity increase each year. Much of the remainder of the request which pays for the housekeeping, supplies, equipment—mostly Automatic Data Processing—and facilities is really not discretionary; we need it to insure that our people can continue to perform our missions as effectively and efficiently as possible.

Our Military Construction budget submission reflects a significant percentage increase over 1987. I fully appreciate the significant pressures you face to reduce the

budget deficit. Nevertheless, we believe this budget is needed and is a worthwhile investment in three very important areas: Readiness, Productivity and the Environment. We looked at each of these areas and decided it was absolutely essential that we posture ourselves to provide responsive support to the Military Services. We must do this in a way that enhances readiness with a concurrent reduction in resources and eliminates conditions that reduce responsiveness and/or productivity. Finally, we recognize the increasing emphasis being placed on environmental safety by the Congress, by the states and by our citizens. We need to heed these mandates. This budget submission addresses these three major areas of concern.

As I indicated earlier, we manage about 56% of the total items for the services. We must provide responsive support to their readiness needs in both the fuel and non-fuel areas. Our request supports the construction of fuel storage capacity and a fuel pier which are urgently needed to support contingency plans.

In addition, our request provides additional support for storage of non-fuel material. These projects will overcome our overcrowded depot conditions where we are simply not efficient in meeting the Services' requests.

Our Construction projects will also partially overcome our problems of inadequate and deteriorated spaces, inadequate ventilation for ADP facilities, and the severely overcrowded working conditions. This will provide the basis for higher morale and increased productivity.

As to the environment, I believe we have a disaster waiting to happen in the area of proper, safe storage of hazardous material and hazardous waste. We are embarked on a program to construct conforming storage warehouses which will provide environmentally safe facilities for our temporary storage of hazardous waste until we can dispose of it. We do have contractors that transport the hazardous waste from our facilities to approved disposal locations. However, I must tell you that finding contractors who are willing to take our business in an era of increasingly stringent environmental rules is getting to be more challenging. Thus, we have a need to ensure we have a safe place to store hazardous waste until it can be disposed. As I indicated earlier, this request does not come close to meeting our requirement. However, because of the problems we have had in getting permits, this is realistically about all we could accomplish.

Our submission also includes a Family Housing request of \$589,000 and \$482,000 of O&M in fiscal year 1988 and 89 respectively. We are also requesting \$106,000 and \$20,000 in construction authority respectively in 1988 and 1989. These funds are to fix up 70 housing units which have been simply neglected in the past.

Our Stock Fund budget request supports two categories of inventory to support the Military; peacetime inventory augmentation and war reserve material. I mentioned earlier that DLA has responsibility for prepositioned fuel war reserve, as well as the Other War Reserve support for items we manage. The Military Services identify these requirements, and we try to support them.

Through the aforementioned interactive process with the CINCs, OJCS and the Military Departments, fuel war reserve requirements for product and storage locations are passed to us. This request will fill virtually all of our currently available storage.

The Other War Reserve stocks are the resupplies that need to be available for issue approximately 60 days after mobilization. We have included funds to purchase selected items which have little peacetime usage, very high mobilization demand and a production base judged to be inadequate to meet wartime requirements. Examples of these types of items are: body armor, sand bags, concertina wire, camouflage colored medical dressings, and oxygen canisters for safety and rescue missions. The requested funding will allow us to buy and stock initial requirements to help our readiness posture, but will not satisfy the full projected Other War Reserve requirement.

Our request for peacetime inventory augmentation will buy stocks for the Services' new weapon systems such as the C-17 transporter, the Aegis fleet defense system, and the light helicopter family. The augmentation funding is needed a lead-time away to assure that spares are in our wholesale system when the Services need them.

As I indicated earlier, the investment in equipment and facilities will be amortized over a short period of time. Our five year plan assumes that we will be able to perform our currently assigned missions and accommodate the normal level of workload growth and the necessary modernization of our Data Processing systems and facilities, with approximately the same funding level as this request.

In summary, Mr. Chairman, I see the following challenges for DLA.

Increasing the level of our support to the services.

Emphasizing quality in competition.

Accommodating the growing need for depot storage space.

Assuring the availability of Military supply requirements during mobilization.

Strengthening the industrial base.

Increasing productivity by finding more efficient ways to do the job and improving the employee work environment.

Improving our hazardous waste disposal efforts.

Before closing, I wish to repeat my appreciation for the opportunity to tell you how we enhance the readiness and sustainability of the force.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or the subcommittee may have.

Senator WIRTH. General Russo, thank you every much.

MILITARY CONSTRUCTION

Admiral Hughes, maybe I could start by going to the statements that you made in your testimony and referred to in your oral comments about military construction. It seems to me you suggested in your testimony that despite the years of sustained growth in the budget you were outlining continuing deterioration of the condition of Naval installation facilities. Is that right?

Admiral HUGHES. Yes, sir.

Senator WIRTH. Do you have any kind of a chart that can describe for the committee the funding and backlog of real property management maintenance over the last 5 years in fiscal years 1988 and 1989?

Admiral HUGHES. Yes, sir. I can give you some figures on that that I think would be helpful, but I would like to say that last year we went in with about a \$1.8 billion Milcon program.

Senator WIRTH. \$1.8 "billion" Milcon program.

Admiral HUGHES. \$1.8 billion Milcon program in the President's request to Congress. When we came out of Congress, we had about \$1.4 billion, in round numbers, so there was approximately a 24 percent reduction in the Milcon program last year. I have to tell you that when you make reductions of that order, it comes largely out of what we call "replacement and modernization" programs, rather than things that are needed to support an oncoming weapons system, a hanger or something like that.

Senator WIRTH. What is the backlog of military construction needs that you have in the Navy?

Admiral HUGHES. The backlog in military construction has risen over the last 5 years. It is up over about a billion dollars, \$1.1 billion, if I remember correctly—I am sorry, \$20 billion in Milcon backlog; the \$1.1 billion backlog refers to MRP. I will have to provide you the exact numbers for the record.

[The information follows:]

MILITARY CONSTRUCTION BACKLOG

The current backlog of all certified Military Construction projects both programmed in the FYDP and unprogrammed is \$20 billion.

Senator WIRTH. Let us talk about maintenance and construction. What is, in your best estimate at this point, the backlog of maintenance, the backlog of construction? If you were king, how much money would you have in the budget? How much would you be spending in fiscal year 1988 to repair and bring up to speed the facilities of the United States Navy?

Admiral HUGHES. We would look at about Milcon of a 2 percent of plant value figure that is required for replacement and for maintenance of the plant, and we have less than that in our budget.

Senator WIRTH. How much of a backlog do you have?

Admiral HUGHES. I think the Milcon figure is about \$20 billion, but I do not have it handy.

Senator WIRTH. \$20 billion?

Admiral HUGHES. Yes, sir.

Senator WIRTH. You said in your statement, "There is a continuing deterioration of the condition of naval installations and facilities." If that exists, how much is that?

Admiral HUGHES. Again, I will have to provide that for the record, sir.

[The information follows:]

FACILITY MAINTENANCE AND REPAIR BACKLOG

The backlog of maintenance and repair for fiscal year 1986 was \$1.037 billion. The projection for fiscal year 1987 is \$1.015 billion, for fiscal year 1988 is \$1.027 billion and for fiscal year 1989 is \$1.159 billion.

Senator WIRTH. Do you have any figures on how much would be necessary in fiscal year 1988 and fiscal year 1989 to at least stop the growth in that backlog? You refer in your testimony to that backlog as "growing." It is difficult for the committee to know, if we do not have the numbers on that sort of thing, to know how much money we ought to be putting into maintenance.

Admiral HUGHES. Let me give you a funding stream. For fiscal year 1986 we had \$1.037 billion MRP backlog. In 1987 it is \$1.015 billion. In 1988, it goes up to \$1.027 billion. In 1989, it is \$1.159 billion. That is the backlog of maintenance and repair.

Senator WIRTH. So you have \$1.1 billion in backlog of maintenance and repair?

Admiral HUGHES. In 1989.

Senator WIRTH. For fiscal year 1989.

Admiral HUGHES. Yes, sir.

Senator WIRTH. Now if you were allocating this budget, would you switch around any resources to cover this? Is this a dangerous trend that you think we ought to be focusing on? Or is this about what you expected?

Admiral HUGHES. Well, there is a tradeoff of the whole program. We have presented to the Secretary and the CNO a proposal to take high priority items and try to drive them down by the mid-1990s to what we would call an acceptable and nonincreasing backlog. As I mentioned, we call this the share FLEP program. We have not gotten it presented adequately in this budget, and we hope to do it in the next budget go-around.

The CNO and the Secretary have agreed in principle that it has to be attacked on a priority basis.

MAINTENANCE AND REPAIR BACKLOG

Senator WIRTH. Let me just ask you a final question, and then I will move on. The Office of the Secretary in a February 1987 document says that there is a growth in 1988-1989 of \$132 million in backlog of maintenance and repair.

How much is in the budget this year for the new homeporting facilities?

Admiral HUGHES. I do not have the total. I would have to add up each of the ingredients, but it is probably somewhere on the order of about \$150 million.

Senator WIRTH. So while we are building \$150 million of new homeporting facilities, which as you know has been a great controversy up here, we are slipping behind in terms of maintenance and repair. Staff is pointing out——

Admiral HUGHES. Here is a better figure, Mr. Chairman. In 1988, it is \$272 million; and in 1989, it is \$204 million.

Senator WIRTH. So we are requesting twice the amount of money for the strategic homeporting plan than we are the amount of money necessary just to stay even in maintenance and repair?

Admiral HUGHES. But you must realize that if you did not build those other ports, you would have to provide Milcon to support the ships in addition to the backlog money that you are speaking of. So it is not a tradeoff. You can't just say that you take the money for homeporting and put it against the backlog and not have a problem.

You would still have to pay for the piers, for the accommodations, the personnel support, and everything to accommodate those additional ships somewhere.

Senator WIRTH. Well, could you provide for the record and provide for the committee, Admiral Hughes, how that analysis in your opinion works out? Again, let me point out that you all are requesting \$273 million in fiscal year 1988 and \$205 million in fiscal year 1989 to finance your strategic homeporting plan; while on the other side, according to the analysis out of the Secretary's office, there will be a nearly \$150 million decline or erosion in maintenance and repair, or an increase in the needs we have there. That is an imbalance of sufficient magnitude where we ought to better understand what the tradeoff is. Maybe you could provide that for the record.

Admiral HUGHES. Well, I will try and give it to you, but it is in no way relatable as a dollar-for-dollar tradeoff. You would still have to invest——

HOMEPORTING FACILITIES

Senator WIRTH. Certainly conceptually, Admiral, there is a relationship between the two, is there not? Or am I missing something? I mean, do you mean to tell me there is no relationship between the erosion in our backlog of maintenance and repair facilities of the U.S. Navy and new investment in eight new homeporting facilities? There is no relationship between those?

Admiral HUGHES. You would still have to make the investment that you put into the new homeporting facilities in the present homeports, if you put the ships in those homeports.

Senator WIRTH. And if we did not have the new homeporting facilities and simply left the ships where they are today, how much would that cost versus the new? And would that provide us with funding to help with your backlog of \$132 million that the Secretary's document says is a severe problem?

Admiral HUGHES. Well, the analysis that we did is that the whole homeporting over the period of the FYDP would be \$217 million more than putting them in the homeports that exist. There was an outside analysis that we had done that said that that was an overstatement and that it really was somewhere closer to \$100 million extra. So the extra homeports over the whole period amounted to somewhere between \$100 million and \$217 million.

Senator WIRTH. If that was not a correct analysis. Admiral, maybe I could ask you again to provide that for the record to the committee as to why then these are not parallel figures. As I understand your earlier suggestion, we are comparing apples and oranges. Why is that the case and why shouldn't the committee and the taxpayers be concerned about on the one hand the erosion of facilities to the tune of \$132 million, and on the other hand the request that we spend about \$500 million for strategic homeporting?

I think we have probably been around this enough, but I think it would be helpful for us to have that analysis from you. At least as a new member of the committee, it seems to me that there are parallels between the two and that we ought to understand.

[The information follows:]

HOMEPORTING VS MAINTENANCE REPAIR COSTS

There are several lingering misconceptions about the Strategic Homeporting Program (SHP). One of those is that we can leave ships where they are. In fact, one of the drivers in the SHP is that in going to the 600 ship Navy we acquire 130 new ships which must be homeported somewhere. The Navy maintains that, strategically, it makes more sense to go to new ports than to force them into existing ports. However, in any event there will be a cost to homeport them. The Navy estimate is that the delta increase for achieving the benefits of SHP as opposed to using existing ports is \$217 million over the FYDP.

When the Cost Alternatives Study was done, one of the assumptions was that there would be no "get well" funds included for any base. That is, the delta increase is based on the SHP loading only. Therefore, if any facility deficiencies existed prior to homeporting, they would exist afterward. This insured that the study results would be conservative. With this in mind, there is a high probability that maintenance and repair costs would be increased by homeporting at existing ports. For instance, the alternatives study would show the SHP cost for shore power at an existing base, but any upgrade/repair of the system to get power to the SHP connection point would not be included. Further, it is also likely that the rigors of increased usage of the overaged, and in many cases inadequate, facilities in our existing ports would result in requirements for increased levels of maintenance and repair over and above those now anticipated.

In short, SHP funds are required to homeport the additional ships coming on line, and maintenance and repair dollars are required to support our existing facilities (including those in support of SHP at existing bases). Transferring funds either way is at best a temporary fix and at worst could cause us to miss the chance to optimize the strategic benefits of SHP.

Senator WIRTH. Senator Thurmond.

LIFE-OF-TYPE BUYS

Senator THURMOND. First I want to welcome you gentlemen here and express my appreciation for the fine job you all are doing.

General Russo, in your prepared testimony you mentioned life-of-type purchases must be made when manufacturers were backlogged on specific items. How much of a problem is this from year to year?

General Russo. Sir, it is a continuing problem. It is manageable in several areas. In the microcircuits, integrated circuits area, per-

haps it is becoming more of a problem than it has been before, but by and large it is a manageable proportion.

What it comes from is where manufacturers have decided no longer to continue production of these particular items. Vacuum tubes perhaps is one that comes immediately to mind. They are made by several companies who have chosen to eliminate any further production of those items. What we do in the life-of-type buys is to determine what our requirements are for the foreseeable future in those areas to include that which is required by the services and that which may be required to support any of our allies with equipment that we may have given to them. We then go out and procure the number of items that we consider will be necessary over the remaining life of those pieces of equipment still in service.

Senator THURMOND. Admiral Hughes, and General Went, if you both would answer this question, what problems arise within the Navy and the Marine Corps from manufacturers halting production of various spare parts before we retire certain weapons systems from the inventory?

Admiral HUGHES. We have a considerable problem there in that it certainly is more expensive to come up with small numbers of spare parts that are related to weapons systems that are out of the inventory, and it really comes to the fore more in the FMS program, Foreign Military Sales program, than it does in any of our own programs.

As you know, Senator Thurmond, one of the things that we are doing is what we call the RAMP program—Rapid Automated Manufacture of Parts—that we are working on with a consortium down in South Carolina in which we are trying to develop a system whereby we can manufacture small numbers of spare parts at a reasonable cost. We are working on this with the State of South Carolina, as well as the consortium, and it involves robotic business, a lot of computer business, et cetera, and we are looking forward to it to help us out very much in the manufacture of the type of material that we need.

IMPACT OF NO REAL GROWTH

Senator THURMOND. I understand that offers great promise, according to the Navy officials. Is that correct?

Admiral HUGHES. We look forward to it as being very helpful. The cost of it right now we are negotiating with the consortium and we hope to have our negotiations completed somewhere around the May or June timeframe.

Senator THURMOND. General.

General WENT. Sir, I would say that in earlier times that provided us with a tremendous problem which we had difficulty trying to solve. In recent years, and really beginning about 2 years ago, we have attempted to get adequate drawings, what we call Level III drawings, from manufacturers when they built spares so that in the process of buying the original equipment we also get an adequate engineering drawing. Then, if they go out of business or choose not to manufacture, whatever the case might be, we have

the ability to go out and get somebody else to build the item because we have adequate drawings to do so.

So, essentially, we are solving that problem today. But we are still living with some things of earlier vintage that are tough to handle.

Now I must say that when we purchase Level III drawings in an original package it costs more, but in the long run we think it is more cost effective.

Senator THURMOND. I would like for all of you to please answer this question: If the Congress authorizes defense expenditures with no real growth in the current 5-year defense plan, what will happen to our readiness and sustainability?

Admiral HUGHES. As you know, Senator, if there are discontinuities in the funding flow on an annual basis, the annual accounts tend to take the bigger hit. If you have no real growth, while you have already invested into increased procurements the previous year, and you usually have to take the added operating cost out of what we call the operating accounts. They are people costs and operating costs.

So I think that you would have a significant impact on readiness and in the longer run it would affect your sustainability.

General.

General WENT. I would have to agree with that, sir. I suspect that we could say that in a year's time an awful lot would not happen because you can live out of your stores for a while. But it would go downhill very quickly thereafter. It has taken us 5 to 8 years to build from where we were to where we are today.

I can go back to the early 1980s, for instance, in ammunition in the Marine Corps. We were using more in training each year than we were putting on the shelf. So we had a net drawdown. We are in great shape today.

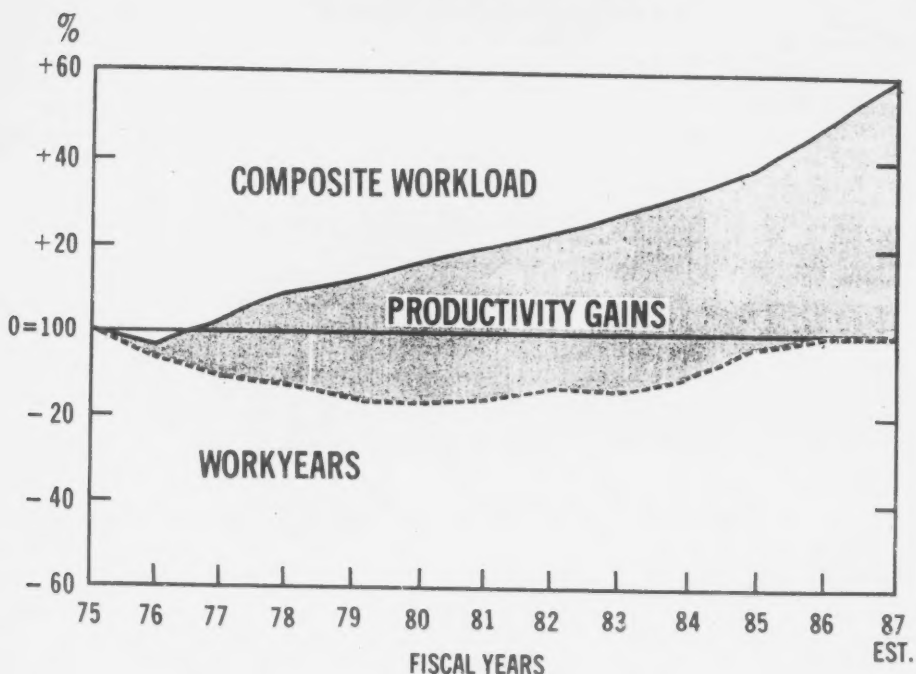
So in a year's time, you may not change an awful lot, but if you project level budgets out for a very long period of time, then in the second or the third year we will slip back to what it has taken us 6 or 7 years to achieve.

Senator THURMOND. General Russo.

General Russo. Sir, there are two portions of that that I would like to address.

First, the bulk of my budget is people-related. In that regard, we have had perhaps some good initiatives ongoing in the productivity area. Let me have backup slide No. 5.

DLA PRODUCTIVITY



General Russo. This chart shows the kind of productivity growth that we have been able to achieve over the last several years. You notice that the trend is continuing today. So we are tuned in that area.

However, having said that, where I would have some problems is (1) the construction requirements that we have placed before you, particularly as relates to the depots and some of the fuel storage; (2) the requirements we have for automation. In order to achieve the things that we must do in order to support the forces in terms of readiness and sustainment, we need those kinds of investment costs and considering the lead time, to be able to continue this kind of a trend in the productivity area.

So I think it would be harmful to us if we do not make the up-front investments. I would hope that we would be able to protect these investments; the seed money if you will, that would allow us to continue this kind of a track record.

Senator THURMOND. Thank you very much. I believe my time is up, Mr. Chairman.

Senator DIXON [presiding]. Thank you, Senator Thurmond.

Senator BINGAMAN.

Senator BINGAMAN. Thank you, Mr. Chairman.

DLA AUTOMATION REQUIREMENTS

Let me ask General Russo, if I could, have you not some statements in your testimony about the automation problem?

General Russo. Yes, sir.

Senator BINGAMAN. I think they are of some concern. The ones that particularly caught my eye is you say that the system we have got today is somewhat archaic and is based on software concepts of the 1960s. It is terribly difficult and time consuming to change.

General RUSSO. Yes, sir.

Senator BINGAMAN. I am just wondering, what are you proposing to us? You say here we still have a long way to go before we have defined our requirements well enough to develop a new system.

General RUSSO. Yes, sir.

Senator BINGAMAN. What concept? What are you proposing this year, and what do you mean as far as the timeframe to get this problem fixed?

General RUSSO. Sir, we have as I may have suggested—we have both some short-term and some long-term fixes. First off, in describing—and I think you will appreciate what I am referring to when I talk about the problems with the kinds of fixed data bases that we have in business today, there is very little interactivity that is permissible in those data systems. They were monolithic in the way they were structured.

I must tell you also that if you go back to the documentation of those systems, they are not the greatest in the world, so that when you put in a change it is going to be a little difficult to assure that that change in fact takes effect throughout the entire software application that you have in a particular functional area.

So that is sort of the general environment of the software that we are doing business with in our agency. Now how to fix that?

Senator BINGAMAN. When was the software you are using installed or developed?

General RUSSO. Excuse me, sir?

Senator BINGAMAN. When was this software that you have got—

General RUSSO. Sir, I am particularly concerned about the Defense Logistics Services Center. I would say it was put together in the 1950s and 1960s. The DLSC data bank is an old, old system. You do not see a significant budget request until 1989. We know what needs to be done. First it appeared to us that we needed some contractual effort to install that fix into our DLSC data bank. That essentially is the data bank in which all of those 4.5 million, and in fact 5.5 million stock numbers reside with complete descriptions of those items, which are used by all services. Perhaps over time we will be able to extend that even into the contractors activities where, as they begin their design, they can look for the kinds of items we already have in the system, and rather than adding another stock number to the inventory they can find something that will do the job already registered in our data bank.

What we are trying to do in the budget that you have before you is to do those kinds of, I would say, short-term fixes across all of our systems, that need to be done to recast some of our software operations and our decision support systems.

For the longer term, where I say we have not gotten a good fix on our requirements, what we are talking about is more than automation. What we are talking about is changing how we do business, changing the process. The process that we have today, apart

from the software, is paper driven. It is a labor-intensive kind of process.

What I want to do is change that process, and I have got to tell you that OSD is pushing me like hell to try and get that done toward the left side of the time chart rather than the right side of the time line. That is sooner rather than later.

Senator BINGAMAN. Do you know if anything will be proposed to the Congress this year from your agency up through the chain of command, whatever, to change this process?

General RUSSO. Sir, I can tell you from my perspective I do not believe that to be the case.

Senator BINGAMAN. Is the problem with the statutes? Or is the problem with your internal—

General RUSSO. No, no, it is with me.

Senator BINGAMAN. It is with your internal operations?

General RUSSO. Yes, sir.

Senator BINGAMAN. So you really do not need Congress to eliminate legislative obstacles or anything?

General RUSSO. No, sir. What I have got in the budget is something that we can do, is doable, and as I say it is blended between 1988 and 1989. We are prepared to execute those two programs, if the Congress approves.

I would say to you that some of the things we are asking for—and a good one is the 1989 piece—will fit, irrespective of what the process changes might be into the mid-1990s and early 21st century. It will fit through programs such as GATEWAY, where whichever way the Department goes, whether it be in the Army, Navy, Air Force, or DLA, we see ourselves being able to meet the service requirements over time with what we have put into the budget today.

Senator DIXON. Senator, I wonder if you would establish how much he is asking for for that new system? I would appreciate that. And where it is in here, so we can find that.

General RUSSO. Sir, that piece, the DLSC piece, is in the 1989 budget. Excuse me. It is in the procurement account, sir.

Senator BINGAMAN. For 1988, or 1989?

General RUSSO. 1989, sir.

Senator DIXON. Could we establish the amount, for the record? I hate to interrupt my colleague, but I am interested. This is that old story of trying to get the kind of work we need done on the inventory, all the spare parts and everything else that was your baby in the last session as I recall, Senator.

Senator BINGAMAN. But now you are asking for nothing from the Congress in the way of additional funds in 1988?

General RUSSO. Sir, there are pieces of automation in 1988, yes, sir, there are.

Senator BINGAMAN. You just feel you are not prepared to go forward any more quickly?

General RUSSO. That is correct, sir. It is not something—let me say it a different way sir. I am a little bit reluctant to come forward with 1988-1989 requirements at this point in time without understanding where I want to go in the future, because I want to be clear on where I want to go and then build the necessary

bridges between what I would ask you for in the short term to those longer term fixes.

When I say "longer term," I am talking about somewhere in the 1993, 1994, 1995 timeframe when those things would be becoming open. So I think that by the time, even perhaps depending on how we handle the 1989 budget this time next year, that I may be in a position to come forward and say to you, if you have something that you are able to provide to me in a supplemental or reprogramming assuming that the Secretary of Defense says OK, this is what I will be able to do with the 1989 money as it relates to my longer term objectives in changing the process.

Senator BINGAMAN. My time is up, Mr. Chairman.

Senator DIXON. General Russo, I am interested in the line of questioning of Senator Bingaman. The gentleman behind you seems to have some information. I wonder if I could get that in the record?

General Russo. Absolutely. Sir, there is about \$17.9 million in 1989 for DLSC, but I will provide the specifics on that for the record.

Senator DIXON. I wish you would. There is considerable interest among some of us, certainly Senator Bingaman, Senator Quayle, myself, Senator Levin and others who have developed this in past sessions. We are very concerned about how well you are able to keep track of everything. We mean that as no offense to you. Of course you understand that. But I think we would be very supportive, considering that the price is reasonable.

I am told by staff that in the past you have been competing in another subcommittee with hardware and all kinds of fancy weapons and stuff, and not getting the consideration perhaps this type of thing deserves. I think you will find some here interested in trying to support that need.

So perhaps you could get to our staff here the full particulars of what you intend to do; if you are beginning it this year and you have some bits and pieces in places, we would like to know where. And what you intend for next year, and in the out years about that.

General Russo. Very well, sir.

[The information follows:]

General Russo. DLSC is the single DOD activity responsible for providing ongoing central logistics data information and Federal Catalog System operational support to the entire Federal community, NATO and other foreign governments, and industry. DLSC came into being in response to Public Law Title 10, Chapter 145, U.S.C. which directed establishment of the Federal Catalog System.

There are two principal reasons for requiring the enhancement of the DLSC systems at this time. First the current systems environment and a growing demand for modification and increased transaction processing is causing a deterioration in the performance of the Federal mission. Over the past six years the improvements to the systems have been limited to those that could be inserted into existing software design or the replacement of faster processing hardware. The unsatisfied demand by the user in terms of flexibility of support and more responsive service has driven the users to other solutions. Such solutions create duplication in data bases and systems, files incompatibilities, and the contracting for commercial data bases that duplicate those of the DLSC. This condition will only become more aggravated and expensive to the Federal System as the demand for DLSCs service remain unanswered and even deteriorates. As an example, turnaround time for batch type processing of maintenance transactions has grown to an average of 35 hours in 1986 from an average of 17 hours in 1983. The management of what is processed on the DLSC

system is a full time task requiring constant monitoring and workload shuffling to meet the need of the highest priority workloads. What was once a routine system scheduling task of as much as 24 to 48 hours in advance has become an hour-by-hour activity.

The second reason for requiring the enhancement at this time is to permit the DLA to prepare for the needs of the future Service/Agency systems. Under the most optimistic schedule new hardware and software to replace existing systems are still three to four years away. Unless the DLA can obtain, install, implement the proposed hardware and software changes, the future improvements planned by DOD users, the Civil Agencies, and participating Foreign Governments cannot be successfully implemented. The DLSC systems, in particular the Defense Integrated Data System, DIDS, are key to the logistic systems. The dependence on the DLSCS as a capital data base and service is demonstrated in the planning of each of the Federal users' future requirements. In each known Service/Agency study, system design, and future system planning two data bases are assumed to be operating and fully supportive—the Defense Automatic Addressing System, DAAS, and the DIDS.

We have initiated a program which recognizes the needs of the logistics community, anticipates the future as best we can, and is built with the flexibility to change and grow so as to readily respond when called upon.

This is to be accomplished through the development and acquisition of modern software, the resystemization of DLSCs ADP programs, and the equipment found needed to support the new system environment.

We are developing a total requirement which is to be incrementally implemented so as to have a trouble-free transition which is transparent to those we serve. We are working towards the award and initial delivery of the needed software and hardware by the successful competitive bidder in fiscal year 1989. The \$17.8 million asked for is the amount we plan to obligate at that time for the initial and early increment deliveries. The resystemization and transition to the new ADP environment will continue each year until completion in fiscal year 1992. We see total procurement requirements of \$21 million which will provide all equipment and vendor services, such as training, software and hardware maintenance, technical support, and full total system integration.

Senator WIRTH. If the Senator would yield?

Senator DIXON. Yes, I would like to yield to my colleague.

Senator WIRTH. Might we also have for the record figures on what has been requested over the last 3 or 4 years versus what you have received, as well?

General Russo. All right.

Senator WIRTH. What you went into the Office of the Secretary and then into OMB with, and what was allocated by the Congress.

General Russo. Very well, sir.

Senator WIRTH. Was there a gap there? If you could give us that information, I think that would be helpful, too.

[The information follows:]

General Russo. The following chart shows the particulars on the DLA ADP budget.

DEFENSE LOGISTICS AGENCY
PROCUREMENT, DEFENSE AGENCIES
TOTAL PDA, ADPE AND TELECOMMUNICATIONS

	FY 84	FY 85	FY 86	FY 87
OSD Submit	20,588	35,505	116,662	91,925
President's Budget	14,288	76,618 2/	85,616	77,315
Appropriated	18,646 1/	51,118	42,211	52,635

TOTAL PDA, ADPE AND TELECOMMUNICATIONS

	FY 88	FY 89
OSD Submit	79,075	89,205
President's Budget	65,245	88,128

OPERATION & MAINTENANCE
TOTAL O&M, ADPE AND TELECOMMUNICATIONS

	FY 84	FY 85	FY 86	FY 87
OSD Submit	223,830	264,251	274,263	275,821
President's Budget	236,050	236,612	252,764	265,211
Appropriated	236,050	236,612	252,764	265,211

TOTAL O&M, ADPE AND TELECOMMUNICATIONS

	FY 88	FY 89
OSD Submit	284,012	279,086
President's Budget	292,544	288,149

1/ Reflects Congressional approval of a reprogramming action.

2/ Reflects funds added by OSD for Defense Agencies, ADP buyout program.

Senator DIXON. Thank you very much. I appreciate that, Senator.

CAPUA

Admiral Hughes, I wonder if I could inquire about this request in the budget. I believe in 1988 the Navy is requesting \$55 million, in 1989 \$73 million, to begin a project in Italy that will ultimately cost us about pretty close to one-half billion dollars to move a base about, oh, 25 miles or so from Naples to another new location inland at Capua.

Admiral HUGHES. "Capua," yes, sir.

Senator DIXON. How do you pronounce it?

Admiral HUGHES. "Cap-ua."

Senator DIXON. Capua. I understand that there is a concern that you are in an area where there is danger of an earthquake or something of that character, and that they want to move this location 25 miles inland. Am I essentially right on the figures, that it will cost ultimately in the high \$400 million, or middle \$400 million to do that?

Admiral HUGHES. Yes, sir. If I may, without getting too technical on it, not that I am technically qualified, but as a description there are really two phenomena that are involved. There is the earthquake in which you would have some sort of horizontal movement and which would be detrimental to many buildings. There is also what they call a bradyism, which is sort of a vertical component, which is a big problem for tall buildings and buildings that are not built with any earthquake support, extra support for them.

The buildings that we are in are old buildings that were hotels, and a hospital, and a school, and the command center. So from that standpoint, even though we are moving up to Capua, we still have a certain probability of being exposed to the regular tectonic earthquake effect. But if we build the buildings properly, it will not be that much of a threat to us.

On the other hand, we will get out of the bradyism area and be better off from that standpoint. We are very concerned.

Senator DIXON. Has anything happened there in recent years?

Admiral HUGHES. Well, we had very bad bradyisms for a period of a couple years, around the 1982-1983 timeframe, or 1983-1984.

Senator DIXON. What happened to those buildings then?

Admiral HUGHES. There are cracks in them, and there is plaster coming down. What we are afraid of over time is that the malleability of the structures will reach a point where they will fail. If we face that on any more of a continuous basis, there would be a good chance the building would fail.

Senator DIXON. I do not want to be facetious about this, but I live on the New Madrid Fault in the Midwest where the greatest earthquake in the United States of America took place in the early 1800s. Nothing has happened since. There has been a lot of careful thought, I trust, to what you are suggesting. This is a lot of money to move a base 25 miles. There obviously is no strategic value of doing that, and so forth. I understand what you are saying to me, you see, but has that been carefully thought through? My staff tells me this was put off last year.

Admiral HUGHES. Yes, sir. You know we came in with this program last year and we lost the money. We are coming to the Congress again this year, again putting a good bit of our money up against that. We are coming to the well a second time. We are concerned about it.

There are really three concerns to the whole problem. One is the earthquake phase. The other one is we are concerned about the security. Third, we are concerned about the lack of good command and control.

We hope to remedy all these as we move to the new area. The Commander in Chief of the forces in Europe has indicated that this

is his No. 1 Milcon project. This is not the Navy Commander. I am talking about the CINC, the unified commander.

Senator DIXON. You are talking about the CINC.

Admiral HUGHES. And General Rogers has quoted this as his No. 1 problem in Milcon that he hopes to get support on.

Senator DIXON. So that it is General Rogers who has made the request?

Admiral HUGHES. No, the service makes the request. General Rogers supports it.

Senator DIXON. I see. I trust that all that information would be available for somebody on our staff to look at to make that kind of a determination?

Admiral HUGHES. Yes, sir.

Senator DIXON. You understand, I am not trying to be argumentative with you. I understand everything you are saying and your concerns, but at a time when we are going to have a difficult bogie to meet, and so many conflicting priorities, obviously this jumps out as something that does not give us any extra value for the dollars other than the concerns you have about the protection of our people, which is of course very, very important. We do not mean in any way to denigrate that.

Admiral HUGHES. Well, there will be improved security and improved command and control as a result of it. We run the whole Sixth Fleet operation from there, from those command centers.

Senator DIXON. Did you have anything else you wanted to say?

Admiral HUGHES. We have a Naples Report that we did submit to the Congress which is available to your staff now. It covers all these points in great detail.

Senator DIXON. Senator Thurmond.

Senator THURMOND. Thank you. I have no further questions.

Senator DIXON. Senator Wirth.

HAZARDOUS DISPOSAL

Senator WIRTH. General Russo, let me pursue a statement that you made on page 12 of your testimony: "As to the environment, I believe we have a disaster waiting to happen in the area of proper safe storage of hazardous materials and hazardous wastes. We are embarked on a program to construct conforming warehouses," and so on.

Let me start by asking, who is the chief environmental officer of the Army responsible for this kind of issue? Does that fall under your bailiwick?

Senator Russo. Well, I am not sure about the Army guy. At the moment, while I am wearing the shamrock green, I am over in DLA.

Senator WIRTH. Are you the chief for all of the—

Senator Russo. No, sir. A Mr. Schafer who is Deputy Assistant Secretary of Defense for the environmental area is the policy guru for the Department.

Senator WIRTH. Do his responsibilities come to DLA for storage and transportation authority?

Senator Russo. That is correct, sir. The disposal function, the storage and transit to disposal. The actual disposal is my bailiwick,

with some exceptions—things such as nuclear waste that I do get into, ammunition that I do not get into.

Senator WIRTH. But drums of hazardous material, for example?

General RUSSO. My bailiwick.

Senator WIRTH. All under your 4.5 million items to manage?

General RUSSO. Yes, sir.

Senator WIRTH. What kind of an analysis have you done, when you say you have a——

General RUSSO. "Disaster"?

Senator WIRTH [continuing]. "Disaster waiting to happen"?

General RUSSO. Sir, I would tell you——

Senator WIRTH. Would you define what that is?

General RUSSO. I would tell you that perhaps that is more a personalism than an analysis. What do I mean by that? When I see that we have programs that flow from the congressional mandates in the area of environmental health, when I see that as we flow down that responsibility for oversight, "we" collectively, flow down that responsibility to the States. There are 41 States today that EPA has provided and resided certain responsibilities for the oversight within those particular States.

Those folks are on, in my opinion, are on the lower end of the learning curve as they begin to cope with the great problems of the environment. So their staffs are still in the development state. They are still building. They are coping with a horrendous problem here, and I go back to the 1970s when we had the environmental laws with regard to paper products and wood products when I was up in the State of Washington.

I know the difficulties that they encountered up there during those periods. What I am seeing in the environmental area, be it from the standpoint of commercial disposal points which have to be closed because they no longer accord to the State Federal rules and regulations on the environment, when I see that there are commercial activities that have nothing to do with defense but which had been storage points for hazardous material which had been becoming regulated under the existing laws, folks beginning to look at us in Defense and saying, hey, folks, we have got some containers here that belonged to the Department of Defense sometime in the distant past. We want you to take on the cleanup of this area.

It seems to me that some of our contractors who we look for to transport the items of hazards waste from our facilities to a disposal point are beginning to dry up—and so on.

Senator WIRTH. I understand the size and scope of the problem is increasing as the country becomes increasingly concerned about toxics in the environment, public health, environmental health, and so on. That is a problem you have and that we have everywhere.

What kind of analysis is done by DLA? It seems to me there are three kinds of problems:

- (1) The sites that you currently have, and what is their status?
- (2) What kind of sites are available? What kind of analysis has been done in the sites that have to be cleaned up like the Rocky Mountain Arsenal, with which you are probably more than familiar, right?

General RUSSO. Yes, sir.

Senator WIRTH. (3) What do we know about transportation for storage?

Have you all done a description and analysis of what you perceive to be the problem as you define it in apparently harsh terms in your statement?

General RUSSO. Yes, sir. We have established through analytical work that we need, first, to have some safe storage facilities. We have identified where those facilities are to be. In order to cope with that kind of facility, we have gone into a standard design which is modular in structure, depending on how much needs to be in the particular area and so on.

Senator WIRTH. Let me ask you this: could you get to us your best description and analysis of where the most problematic environmental sites are or existing Army or military facilities throughout the country?

General RUSSO. Yes, sir.

Senator WIRTH. Second, where are your greatest cleanup problems?

Third, what kind of issues do you include in your analysis of the transportation issue, which you make——

General RUSSO. Yes, sir. Absolutely.

Senator WIRTH [continuing]. Reference to here, which we are seeing everywhere.

General RUSSO. Absolutely.

Senator WIRTH. The DLA's problem is part of a broader problem that we have got to sort our way through.

And finally, we should mention the whole storage issue.

General RUSSO. Sir, I can handle that, with the exception of the cleanup. I do not have the cleanup, except in those facilities for which I am immediately responsible.

Senator WIRTH. Who gets something like the arsenal?

General RUSSO. Well, that will be the Army.

Senator WIRTH. The Army would have that?

General RUSSO. Yes.

Senator WIRTH. Well, leaving the cleanup aside, the facilities that you have which are in your opinion of "disaster areas" that you have not referred to here, but which are the real problems for you. And could you provide me with your analysis of the transportation and the storage issue?

General RUSSO. Absolutely.

Senator WIRTH. And then an analysis of what we ought to be doing about that.

General RUSSO. Absolutely.

Senator WIRTH. So we can measure that against the other concerns that we have, as well.

[The information follows:]

Senator WIRTH. Leaving the cleanup aside, the facilities that you have which are in your opinion the kind of maybe "disaster areas" not that you referred to here, but which are the real problems for you. And could you provide me with your analysis of the transportation and storage issue? And then an analysis of what we ought to be doing about that.

ANSWER. The sites that you are referring to are past disposal sites for chemicals and other hazardous materials which DOD is addressing in its Installation Restoration Program. We are currently responsible for 7 DLA and 17 Government Owned Contractor Operated facilities. DLA has an active program to clean up any contami-

nation found at these activities. However, we do not have the number of problem sites that the Services do. The two most serious DLA contamination problems are at Defense Depot Ogden, Utah and Defense General Supply Center, Richmond, VA. Both of these locations have been nominated by EPA for inclusion in the National Priority List of sites to be investigated. DLA has worked closely with regulatory authorities to develop a strategy to investigate and cleanup problems at these installations.

STORAGE

DLA does not have a DOD-wide mission to receive, temporarily store, and screen, for reuse excess government property including hazardous material and hazardous waste. The hazardous property which cannot be reutilized within DOD, transferred to another government agency, donated or sold to the general public, must be ultimately disposed. The preponderance of our current facilities do not conform to the requirements of the Resource Conservation and Recovery Act. We have initiated a program to build facilities for the temporary storage of this hazardous property which conform to federal and state environmental regulations and laws. Funding for these facilities is included in the fiscal year 1988 and fiscal year 1989 budgets. These conforming storage facilities are designed to safely store the hazardous property until it can be reutilized, sold or removed for ultimate disposal to a permitted facility by licensed transporters.

In order to help us build these facilities more efficiently we have developed a standard design which conforms to existing construction criteria and has been subjected to a rigorous system safety analysis. It provides an environmental and operationally safe facility, we are using this design for all our new facilities. Our most perplexing problem is obtaining the permit to construct required by the Resource Conservation and Recovery Act, RCRA. We are required to submit an application to EPA or the state regulatory for the permit to construct. This application is processed through the host installation, who is the actual permit holder. EPA has advised us that facilities such as ours have a much lower priority than treatment or disposal sites, which also require permits. Consequently, the review and approval process is extremely long, sometimes up to two years. We have many projects at or nearing design completion which we can't start because we don't have authorization to construct from the regulator. In the meantime, hazardous property continues to be handled in less than adequate facilities and even stored outside. This creates a potential hazard, not only to the environment, but to the people who manage this property. We are working closely with EPA to develop a model permit application and a prototype permit which will be available to the EPA regions and state regulators in the near future and which we hope will substantially reduce the time required to obtain a permit.

Additionally, we have met intense political and public resistance to our attempts to construct these facilities at certain locations around the country. We are conducting lengthy environmental assessments, or in some cases, environmental impact statements, in an effort to address these concerns. We believe these facilities will help, not harm, the environmental, but our efforts are being hindered by the complex and restrictive regulatory process.

TRANSPORTATION

As indicated, construction of conforming storage facilities to temporarily store hazardous property is a lengthy process. Therefore, we must have reliable hazardous waste disposal contractors who can respond rapidly and effectively. Generally, there are fewer contractors bidding on our contracts now than there were a few years ago. In our Pacific Region, for example, there are very few qualified bidders. While many of our hazardous waste contractors respond capably to our request for pick-up transportation and disposal of wastes, some have defaulted on our contracts because of their lack of cash flow, including the high cost of obtaining liability insurance for this industry. Implementation of RCRA by those States that have been granted primacy causes our contractors to be required to adhere to varying requirements. For example, identification of specific materials as hazardous waste can vary from state to state which impacts on transportation manifest requirements when contractors must cross state lines; some states recognize the EPA permit for operations by our contractors, where others require a separate state permit; safety and handling equipment requirements for our contractors vary among the States that they must operate in to provide DLA with service. Because of these factors, emergency replacement contracts may take as much as 90 days to get on line. If we don't have con-

forming storage, we would be in violation of RCRA if we store hazardous waste greater than 90 days.

DISPOSAL INDUSTRY

When the RCRA ban on disposal of liquids in landfills took effect in 1985 and 1986, it took the waste disposal industry several months to adjust, with the result that waste was not transported nor disposed of within the RCRA 90 day timeframe. In addition, the availability of permitted disposal facilities has been decreasing and this is exacerbating the problems we have in dealing with hazardous items. According to a 1986 EPA survey, only 103 commercial facilities manage hazardous waste land disposal operation. Further, only fourteen hazardous waste incinerators are currently permitted. According to EPA, commercial firms predict a capacity shortfall for most incineration and treatment technologies until the 1990s, with accompanying increases of short-term commercial disposal prices of 15-30%, on top of recent 400% increases in the cost of incineration of certain wastes. In short, scarcity of commercial disposal resources will impact DOD hazardous waste storage, resourcing, and disposal capabilities.

SOLUTIONS

At DLA, we are working closely with the Federal and State rulemakers and regulators to insure that our storage facilities and the companies with whom we contract for ultimate disposal are in concert with the myriad of varying requirements established to protect the environment. We recognize that we must be innovative in the execution of or responsibilities to protect the environment. However, we have found that the talent available in the commercial marketplace is not at the level desired and is sporadic at best. We have also found that the commercial marketplace recognizes these opportunities but apparently does not have the initiative to develop the sophisticated management tools necessary to comply with Federal and State regulations and to accommodate DOD needs. In this light, the analysis which I just provided leads me to the conclusion that we must identify areas where existing legislation and implementing regulations are so restrictive that DOD and other agencies cannot do the job of protecting the environment that we believe Congress intended. Once these areas have been identified then we need to take corrective action.

Senator WIRTH. Thank you very much, General Russo.

Admiral HUGHES. Senator, may I hitch a ride on that?

Senator WIRTH. Please, Admiral Hughes.

Admiral HUGHES. He uses the word "disaster." I am much more emotional than that. I go much further. I think we have a tremendous national problem here which I think we all have empathy for.

Since the Federal Government has yielded its sovereignty to the States, and the States have added regulations and numbers of materials that are hazardous, and thresholds, et cetera, I have come to the personal conclusion and have been driving it at what we call the Joint Logistics Commanders group, that certainly we have to cope with disposal, but we are going to lose that battle.

We have to cope with generation. That is the real problem. We have got to cut down on the generation of hazardous waste. Now, where it is a weapon or something like that, obviously there are some things that we are going to have to live with, there is a point in time when we are going to have to knock out materials that we use, even though they are the best materials to do the job, and use the second best.

I have something like 34,000 items of hazardous material in our supply system, and I have an objective—and it is ongoing and quite successful right now—to knock it down to 1,000. When I get to 1,000, I am going to go to the research and developers and say, now find out how I can solve the 1,000. But if we do not knock off the generation, this country is really going to get into trouble.

Senator WIRTH. Maybe, Admiral Hughes; if you might, that would go right along with what General Russo is going to submit. Could you send me, as well, what you are talking about when you say this is really a very, very severe problem? You must have an analysis or basic working paper that you operate off of.

Admiral HUGHES. Yes, sir.

[The information follows:]

ISSUE—AFLOAT HAZARDOUS MATERIAL CONTROL

BACKGROUND

Our ships have hazardous material (HM) aboard which is in excess of their needs. There is an over-abundance of that which is required to satisfy operational requirements and large amounts for which there is no known requirement.

Storage for hazardous material aboard our ships is constrained. Incompatible material (oxidizers, corrosives, flammables and acids) are being stored in close proximity to one another.

Require more training for and awareness by our sailors with regard to the hazards and precautionary measures to be taken with HM. We are embarked on a program to label or accompany hazardous material with Material Safety Data Sheets (MSDS).

DISCUSSION

We have developed an afloat HM control program which will reduce the hazards aboard ship and reduce the amount of ship generated hazardous waste. The Navy Safety Center, Norfolk, VA has been asked to develop the program and coordinate implementation with the Fleet Commanders. Key players also include the Systems Commands and the Naval Medical Command. We hope to be able to reduce the number of hazardous materials authorized for use aboard ship from many thousand to less than one thousand.

STATUS

We have begun compiling a list of HM requirements by ship class. We are researching existing supply and technical documents for written requirements and are surveying selected ships to determine onboard requirements. Once our lists are complete, we will be providing them to Fleet units to use as a baseline for determining excess HM.

Working in conjunction with the Navy Environmental Health Center (NEHC) Norfolk, we are generating MSDS's for each required hazardous material.

We are establishing a hazardous Material/Hazardous Waste (HM/HW) Division at the Safety Center to train and aid Type Commander, Group and Squadron staffs in procedures to store and label hazardous material and off-load excesses.

Long Term actions include:

Construct an automated HM/HW Data System which will keep HW/HM requirements and MSDS's current.

Work with the Systems Commands and Medical Command to reduce our list of required HM through consolidation of like items and substitution of less hazardous or nonhazardous materials. We hope to decrease the authorized HW items from in excess of 50,000 to less than one thousand.

Develop a stand alone reference for using, handling, storage and disposal of HM/HW for forces afloat.

Develop HAWKITS (Hazard Awareness kits), checklist and standardized instructions for ships' HM/HW programs.

Repackage HM in minimum practical sizes to permit procurement of only amount required.

RECOMMENDATION

None, provided for information only.

ISSUE—HAZARDOUS WASTE MINIMIZATION PROGRAM

BACKGROUND DISCUSSION

Because of increasing disposal costs, and the long term potential environmental liability associated with hazardous waste, Navy developed a hazardous waste minimization program (HAZMIN) in 1986.

HAZMIN is a comprehensive program which touches all aspects of hazardous waste reduction. The program has as a goal a 50% reduction by 1992.

Individual activity goals have been developed and promulgated.

Key elements of the program include developing an accurate reporting system, reviewing existing procedures and equipment for broad application, acquisition process improvements, R&D, and inter-service information exchange (technology transfer).

Means of reducing include hazardous *material* control, material substitution, process change, and treatment.

HAZMIN program was provided to OSD for consideration for DOD-wide application.

The Deputy Assistant Secretary of Defense (Environment) (Mr. Schafer) advised that OSD has favorably received the HAZMIN program and is using it as the basis for a DOD-wide program.

Each service logistics command has developed a minimization program, and each is now being implemented. Many significant actions have been initiated and/or completed.

Initial funding has been provided by OSD and to achieve our goal, continued funding support from the Environmental Restoration, Defense Fund is essential. DASD (Environment) has indicated continued funding support will be provided.

CONCLUSION

When executed and with continued funding support, the HAZMIN program will substantially reduce the amount of hazardous waste we generate. With good program management we should be able to achieve the reduction goal we have established.

RECOMMENDATION

None; provided for information only.

Senator WIRTH. I think you are exactly right, by the way, on the generation of hazardous wastes, that we have to go to the source in this matter and find alternatives. I think if we press on that, we cannot only help the military but also have a big impact on the rest of the society as we look for alternatives and set an example of responsible replacement.

Admiral HUGHES. To some extent, our appetite is a little bit too sensitive, though. You know, we cannot clean the whole world up in a day. I think this—

Senator WIRTH. I understand that.

Admiral HUGHES [continuing]. Is something that Congress ought to really be concerned about. You have to limit the number of things, attack the most offensive ones if you will. There is a tendency when you have yielded the Federal sovereignty to the States and you lose control of it. That is what has happened in things like the Clean Air and the Clean Water Acts.

Senator WIRTH. It is a little bit like physical fitness. You can get out front—the military has been out front on physical fitness. You do not cure every chubby person in the military, but you go a long way. On smoking, you get out front on that as well. You do not get everyone to stop smoking, but you are taking the lead. It seems to me on the environment, we are not going to solve all the problems of hazardous waste disposal, but certainly we can take the lead and

set a precedent that is a very constructive one which the military I believe has always done in areas such as these.

Thank you, Admiral. General, thank you very much.

Senator DIXON. Thank you, Senator Wirth. I might say, that is a very interesting area you have developed there, Senator. It had been a thing that the staff and I had discussed prior to today's hearing, and we just commented back and forth on it again as this goes on, and we think we will have some oversight hearings on this question as follow-ups after we finish the work that we are doing now for our markup. Because I think in the past the way we have dealt with this problem on this committee has been kind of a peculiar way.

For instance, you mentioned the Rocky Mountain thing. My recollection of that is we dealt with that as a separate issue in here because your predecessor brought it up in the committee, as I recall, and did something. I think we appropriated some amount of money, or authorized some money last time for that purpose, but if we just react I do not think we are doing the right thing, obviously.

I appreciate the fact that in particular, General, you would bring that to our attention, and for your elaboration on it, Admiral. I think we will do some follow-up on that and some oversight hearings afterwards.

So if you could prepare for that along the lines that the good Senator from Colorado suggested, it would be very, very helpful.

Admiral HUGHES. Yes, sir.

General RUSSO. Yes, sir.

Senator DIXON. I am delighted to recognize the ranking member, Senator Humphrey, for both his statement and his questions.

Senator HUMPHREY. Thank you. If I have a statement, I will put it in the record.

Senator DIXON. All right, sir.

Senator HUMPHREY. If I have a statement, I do not know what it says. My staff probably knows. [Laughter.]

Senator DIXON. Very good.

SHIP OVERHAUL AND REPAIR BACKLOG

Senator HUMPHREY. Admiral Hughes, what is this about the situation in ship overhaul and repair backlogs? Has there been a change in definition of those terms?

Admiral HUGHES. No, sir, not really. We have adjusted the program in the way we do some overhauls and in the time between overhauls as we have learned more about the given weapon systems, and we have tried to be responsible stewards of the funding that is available to us to do it as effectively, as cost effectively through competition and otherwise, as we can.

I believe you are alluding to our phased maintenance program, probably, and our selected restricted availabilities, while we spread the other overhauls out to a much longer period of time. But we are doing that in order to keep the ships ready, to keep them more operationally available, and at the same time to reduce cost.

Senator HUMPHREY. Am I right that you are requesting 20 fewer ship overhauls and repairs in the 1988-1989 submission?

Admiral HUGHES. We have 30-some-odd, 30 or so in 1988, I believe, and about 26 in 1989 I believe.

Senator HUMPHREY. Have you reduced that? Is that a reduction from previous estimates?

Admiral HUGHES. That is a reduction in regular overhauls from what we previously had programmed. It is not a reduction in the maintenance that ships will receive. We are shifting a group of our ships to what we call phased maintenance to give them shorter overhauls over an increment of time, say over about 5 years, to give them about three short overhauls that will accommodate their maintenance requirements, instead of one large overhaul letting everything pile up.

Senator HUMPHREY. And you are saying that this new schedule of overhaul is the equivalent of the old system?

Admiral HUGHES. The schedule is not equivalent, no. You do it more frequently. The phased maintenance is in shorter durations.

Senator HUMPHREY. I understand that, but does it have the same effect? Does it provide for the same level of maintenance for those ships?

Admiral HUGHES. Yes, I think we—

Senator HUMPHREY. In other words, is this some kind of a deal to make things look better than they are?

Admiral HUGHES. No, sir.

Senator HUMPHREY. This is not driven by numbers, by dollars? This is a management decision? This is not an accounting trick?

Admiral HUGHES. No, it is not a game. If anything, we are getting more consistency in the overhaul program. If I would take a class of ships, for example, the AFS's, our store ships, they were the first ones to go on this program. We need them very badly for supplying the Med and the Indian Ocean.

When we put them in a long overhaul, they were dropping out of sight for a long period of time, and we were very strapped in keeping our operational schedule up. We gave them smaller overhauls, and in that we accomplished two things. We have some consistency in how we assign the overhaul. It goes to a yard. He designs, plans, gets the material ahead of time, and the ship comes in. There is a consistency in the whole process, and the yard is familiar with what is going on. He does it the second time, and the third time. What that does is to give a familiarity to him that he really is more expert in that particular ship and puts out a better product.

Second, we have knocked off what we did in the long overhauls. We said we did a lot of what we call Class B overhauls which is to open and inspect. We do not do that now because the ship comes in more frequently for a shorter period of time, and we are not that worried about open and inspect so that we can take care of problems when they come up. So there is more direct repair done, less open and inspect, and more familiarity with the whole process.

NAVY FLYING HOURS

Senator HUMPHREY. Flying hours have leveled off in the Navy? Is that correct?

Admiral HUGHES. Yes, sir.

Senator HUMPHREY. What is the constraint there is flying hours?

Admiral HUGHES. We have what we call PMR, which in a syllabus, if you will, that we think the pilot should go through. We have over the years funded the PMR at about 88 percent, and the proficiency that a person gains in the various aspects of flying has been adequate. Two percent of that we attribute to simulators. If a person has simulated time, that subtracts from the amount of time he has to fly.

So on the whole, we have a PMR objective of 88 percent, and right now we are budgeting about 87 percent, which we think is adequate given the balances that we have to make.

Senator HUMPHREY. What percent did we fund in 1987?

Admiral HUGHES. In 1987 we have 87 percent, including the 2 percent of the simulators.

Senator HUMPHREY. And what are you requesting in 1988 and 1989?

Admiral HUGHES. We have 87 in both.

Senator HUMPHREY. Eighty-seven percent in fiscal year 1988 and 1989?

Admiral HUGHES. Yes. In 1988 and 1989, they are both 87 percent.

Senator HUMPHREY. So it is 87 percent for this year and the next 2 years.

Admiral HUGHES. Yes, sir.

Senator HUMPHREY. My time has "inspired." [Laughter.]

Senator DIXON. Did you have any further questions along those lines you would like to ask, Senator, before I go to a spare parts question? I will not be following the same subject matter. I would be glad to yield for you to pursue it further.

Senator HUMPHREY. Yes, I wanted to ask the same question of the Marine Corps.

General WENT. Well, let me respond in maybe a different way—

Senator HUMPHREY. General Went.

General WENT [continuing]. That will complement what Admiral Hughes has said.

Within the Department of the Navy we have a goal, and it is a rule-of-thumb goal, of about 25 hours per air crew per month. If we go back to about 1983, we were flying about 15 hours per air crew per month. Last year we got about 19 on the average. It looks like this year, 1987-1988, we will be at about the 23 hour mark. Hopefully, in 1989 it will get about 24 hours per month. So we are inching up toward that goal of 25 hours per month, and those numbers equate pretty much to the 88 percent of the PMR. So it is a bright picture.

FUEL COSTS

Senator HUMPHREY. We are basing our fuel costs at about \$15 a barrel of crude. Am I correct in that?

Admiral HUGHES. We are budgeted at about \$25, I think, right now.

Senator HUMPHREY. That includes refined product, does it not?

Admiral HUGHES. Yes, sir.

Senator HUMPHREY. If we can talk about it in crude, it makes it easier because we all know what—it is easy to find out what the crude spot price is from day to day. I believe it is about \$15.

The question is this—does anyone know that?

Captain LEE. The West Texas Intermediate crude issued as the benchmark for setting crude prices in the United States. The current WTI price is around \$18.35 a barrel. However, WTI is only one of many crude prices throughout the world that is used by OMB and the Department to establish economic assumptions for budgeting purposes.

Senator DIXON. May I have the witness' name for the record?

Captain LEE. I am sorry, sir. My name is Captain Lee, Deputy Commander, Defense Fuel Supply Center.

Senator DIXON. Thank you. Pardon me for interrupting, Senator.

Senator HUMPHREY. The question is, What effect is there going to be on flying hours if fuel continues to cost more than has been projected in this submission? General Went.

General WENT. Well, I am not—

General RUSSO. Excuse me. Could I take a moment with that, sir? I have a chart here that I would like to put up, and maybe we could use that as a framework and reference from which to depart.

DEFENSE STOCK FUND

FUEL COSTS

	(\$ PER BARREL)			# OF BARRELS SOLD (M'S)
	INITIAL SUBMISSION	APPROPRIATION	CURRENT ESTIMATE	
FY 1986	35.70	32.76	27.55*	175.9*
FY 1987	31.50	21.32	21.32	177.5
FY 1988	23.94		23.94	177.5
FY 1989	26.46		26.46	177.5

*ACTUAL

Sir, as you can see here, it reflects the 1986 through 1989 initial submissions, the appropriation impact—and these are refined products—what the current estimates are, and so on.

As you can see in fiscal year 1987, we are budgeted to buy refined fuel for \$21.32 a barrel which is the annualized average cost. Our monthly acquisition costs are moving in a direction that is above that number. But at the moment it appears that the average acquisition cost for 1988 of \$23.94 looks like a fairly good estimate.

It would also appear that \$26.46 looks good for 1989 at this point in time.

Senator HUMPHREY. Well if that is the case, then it would appear at this point at least that flying hours will not be curtailed by unanticipated fuel costs.

General WENT. If I may add one other thing, if we look at the flying hour program, about 30 percent of that goes toward fuel, oil and petroleum products and about 70 percent toward maintenance. So if fuel prices go up, it will have an impact on about 30 percent of the overall flying hour program.

Admiral HUGHES. But if I may, fuel is on a stabilized rate now.

Senator DIXON. Well, let us clarify that.

Admiral HUGHES. What that means is that the price that we budget is the price that the service is charged from DLA. Now, he will take the beating on changes in fuel costs, but we will not, as far as the operational side goes. We will be paying the same rate, even though it may cost more or less.

Senator DIXON. Pardon me, Admiral. Could we put the chart up again? What the Senator is asking is very important from our budgeting standpoint. I hope you understand why we are pursuing it.

May I interrupt you, Senator, on the basis of what staff has told me?

Senator HUMPHREY. Yes.

Senator DIXON. They tell me that it costs \$8 to refine a barrel of oil. Is that about right? So that they are saying to me, in other words let us take that \$23.94 and rough it off at \$24. They are saying that that is \$16 a barrel in the price of crude, as my friend from New Hampshire was pursuing it. Is that essentially right?

General RUSSO. Captain Lee again, sir.

Captain LEE. Sir, in fiscal year 1987 we budgeted for a cost differential of approximately \$6 between what we think the cost of crude oil is going to be and what we estimate our cost of refined fuel is going to be. The budgeted cost of \$21.32 a barrel includes storage, transportation, and product as well as any commercial charges for refining the crude oil.

Senator DIXON. Does the reporter have the gentleman's name for the record?

The REPORTER. Yes, sir.

General RUSSO. It is Captain Lee.

Senator DIXON. So you are saying, instead of \$8 it is \$6.

Captain LEE. Yes sir, about \$16 for fiscal year 1987. However, this differential will vary from year to year based on crude prices and should increase in fiscal year 1988 with the overall cost of fuel.

Senator DIXON. Well, let us use \$6. Let us round that \$23.94 out to \$24. So now that is an \$18 a barrel price for crude.

Captain LEE. Your analysis, but I believe a range of \$17 to \$18 for crude may be more appropriate.

Senator DIXON. The market right now is \$17? Is that right?

Captain LEE. It depends on which part of the market you are referring to. The last figures that I saw a couple of days ago for West Texas Intermediate crude, which is the U.S. market price for crude, was \$18.35.

Senator DIXON. All right.

General RUSSO. Sir, I think perhaps another little piece of this, which Admiral Hughes alluded to, is that we in DLA buy refined fuel for the Department of DLA. And more specifically, the command that Captain Lee represents, our Defense Fuel Center, does that for us. They use stock fund money to purchase fuel.

The service's operating budget for fuel is set at the beginning of the fiscal year and is based on the administration's economic assumptions. The price does not change regardless of the price we have to pay for the product, unless we run out of stock fund cash.

Senator DIXON. If I could just interrupt for a minute, General Russo, I understand everything you are saying.

General Russo. Yes, sir.

Senator DIXON. But what the Senator is asking is very important. The reason we pursue it, if you will understand and I think you readily will, is what was it last year, Senator, when my colleague was chairing this subcommittee, we developed that there was quite a bit of surplus money in the budget because I think whatever price you had for oil was substantially lower. So we, quote, "found money." I do not know, it was quite a substantial amount, maybe \$1½ billion, or \$3 billion.

General Russo. \$2.7 billion.

Senator DIXON. \$2.7 billion, I am being told; \$2.7 billion. I think what my distinguished colleague is trying to establish here is, have we got some "found" money in there, or do we not have any "found" money in there? I suspect maybe we do not, on the basis of what you are saying so far. In other words, you are trying to call it pretty close here?

General Russo. Yes, sir. I would say that the \$2.7 billion included what the Congress thought and we thought would be recovered in 1987. So you adjust the 1987 budget, and properly so. All we are saying is that at this point in time for 1987, 1988 and 1989, the estimates that we are showing here, are our best judgment on what the annualized cost is going to be.

Senator DIXON. Well, I think my colleague has developed an important point here. I would appreciate it if you would, with staff, try to develop more fully that whole subject matter so that we can be fully satisfied that you are calling it close. I get the impression you are calling it pretty close on the basis of what I am hearing so far. Is that your view of it?

General Russo. Yes, sir, it is. And we will be happy to engage in that dialogue with the staff.

Senator HUMPHREY. Well, in any event the services have in effect a fixed price contract with you.

Thank you, Mr. Chairman.

Senator DIXON. Thank you.

I just wanted to establish one or two other things. My colleague has taken care of the fuel question I think adequately, and you can deal with staff on that.

SPARE PARTS

Can we put up that chart, Bob, on the spare parts?

NAVY SPARE PARTS

(\$ IN MILLIONS)

	<u>FY1987</u>	<u>FY1988</u>	<u>FY1989</u>
<u>AIRCRAFT PROCUREMENT, NAVY</u>			
FY1987 PRESIDENT'S BUDGET	1,856.1	1,745.4	
FY1988 PRESIDENT'S BUDGET	<u>1,632.2</u>	<u>1,511.9</u>	1,271.0
DIFFERENCE	-223.9	-233.5	
<u>OTHER PROCUREMENT, NAVY</u>			
FY1987 PRESIDENT'S BUDGET	323.9	409.4	
FY1988 PRESIDENT'S BUDGET	<u>289.9</u>	<u>308.8</u>	330.1
DIFFERENCE	-38.9	-139.5	

Incidentally, gentlemen, may I say I do not think we are going to need to go into a classified session unless you tell me something appears to be classified to you, because we have done the fuel, we have done strategic homeporting, we have done the question over in Italy, we have gone in pretty substantially to the storage of the hazardous materials and hazards waste. We will do some oversight on that. I think we have done Milcon pretty thoroughly.

On the spare parts, Admiral Hughes, I show you this chart comparing your aircraft spare parts funding from last year's budget to this year's budget. You will note that the Navy is asking for \$233.5 million less in spare parts funding in 1988 than you projected last year for the 1988 and 1987 budget.

In the 1989 level, as you will see, it is even lower, \$361 million below fiscal year 1987. I guess my question is, what accounts for these changes?

Admiral HUGHES. Mr. Chairman, I am very happy that you asked such a question and note that sort of a trend. It did not come by accident. We are not reducing our readiness. We are not reducing our sustainability, and we do not have any magic.

What this is a result of is what the Congress has paid for, what we call project BOSS—Buy Our Spares Smart, we use the acronym "BOSS"—for about 3 years now, since 1984. The Congress has appropriated funds to us to follow up on this program, and it has been upwards of a hundred-plus million a year.

Now that is across the board not just aircraft spares but across the board. Our objective here has been threefold. One was to increase the breakout from prime contractors. We used to get spare parts defined by the prime contractor, and whenever we wanted one there was only one store in town. We had to go back to him.

Now as part of the deal we tell him when he gives us the information and the first spare parts, we want prints. We want details so that we can go somewhere else and compete it. So we have done a tremendous amount of breakout. It has cost us money to do it, but you are seeing payoff right now.

The second thing that we are doing was to enhance competition, which is just riding on the tail of the breakout that I pointed out.

The third is that we have established what we call a "should cost" capability. What that is is that we have a group of technicians that are familiar with the economics. They will sit down in an engineering way and randomly question items coming into the inventory, how much they should cost. With that, they will go back and take the contractor on and say, hey, buddy, you are charging too much, or they will accept it, or they will get an explanation why the cost is different.

It also serves another purpose in that the troops in the field, which is really beautiful, can call up a given number and question the cost that they had to pay. They will say, hey, this looks awful to pay this amount of money.

Our "should cost" outfit will then go down, take that particular item, estimate what the should-cost is, and come back and say, no, that is the right amount, or let us go after the manufacturer and pull his chain.

So what you are seeing here is a very large effort on our part to bring down and give more flexibility to buying spare parts, and I am happy we are getting there.

Senator DIXON. I take it then what you are saying to me and to this committee is that essentially the fact that our spare parts chart show a downward——

Admiral HUGHES. Dollars.

Senator DIXON [continuing]. Dollar indicator over the next several out years, I believe my recollection is all the way into 1990 or 1991 or so, does not mean that you are in fact providing for less spare parts to do the job. You are providing for the spare parts with less money and getting more spare parts for the money.

Admiral HUGHES. Yes, sir. We have another program which we call "readiness sparing" which is superimposed on these comments. In this, we have analyzed different weapon systems. We have not covered the whole waterfront, but we have analyzed which spare provides the greatest readiness to us if we need it. In other words, instead of buying across the board one spare for everything, we find out which ones are the ones that cause us the biggest heartburn, that bring a weapon system down.

We are concentrating on those rather than all the other little bits and pieces that we can accommodate.

Senator DIXON. You said in your statement that in 1981 you could only outfit seven aircraft carriers with a full complement of spares. How many aircraft carriers can you outfit today with a full complement of spares?

Admiral HUGHES. In the Aviation Consolidated Allowance List (ACAL), we are close to the whole bag. I think in 1989 that will be a full 15 (13 as of today) and in 1989 we think we will have the whole front covered.

Senator DIXON. You believe that next year you will be able to outfit all 15 carriers?

Admiral HUGHES. Yes, sir. I think that is our plan, yes, sir.

Senator DIXON. OK.

CANNIBALIZATION AND CROSS-DECKING

How about your cannibalization rates and your cross-decking? What is your experience on that now? As the price goes down on these parts, are you finding incremental reductions in those things, as well?

Admiral HUGHES. As a matter of record at this time for AVALS, our cross-decking is very small. We expect it to be minimal by the end of this year, really by the beginning of 1988 to take care of it; but in our Pacific-Aviation Command, the most recent experience on the *Constellation* shows 30 parts out of 1,500 were cross-decked for a total of 2 percent of the whole bag. We used to cross-deck a whole lot more than that.

And in our Atlantic Aviation Command, the equivalent was 43 out of 1,500, which is less than 3 percent. So we are talking about between 2 and 3 percent cross-decking, which we anticipate will be even less in the next year.

WARTIME THREAT-ORIENTED MUNITIONS

Senator DIXON. Can you tell me in an unclassified session what percent of your wartime sustainability objective of level of effort and threat-oriented munitions you have now, percentages? Level of threat, and threat oriented.

Admiral HUGHES. Yes, sir. We are fairly well off on the level of effort, but I do not know if we have an overall percentage. In the level of effort, I am just trying to give a good feel for this. A lot of the level of effort items are kind of the "dumb" items, if you will.

Senator DIXON. This is the "dumb" committee, Admiral. [Laughter.]

No, I mean we have the dumb ammunition here.

Admiral HUGHES. It is not high tech, really, is what I mean.

Senator DIXON. I asked a question the other day, and one of the Generals said, well, that is an off-the-wall question. He said, "I'm sorry, sir. I meant this is an off-the-wall answer." [Laughter.]

I said, no, you were right the first time. [Laughter.]

Admiral HUGHES. But our threat-oriented ammunition is really, first of all, new and we are worse off in filling the bin.

TYPES OF WEAPONS

Let me flip through a couple of quick charts on a variety of types of weapons, just to give you an idea of the flow.

This shows torpedos, and it is talking about the Mark-48 ADCAP and the Mark-46 or 50 for the surface ships. You can see——

Senator DIXON. Are they classified?

Admiral HUGHES. Yes, but what I am trying to show is just a trend. A trend is an increase over these years. This is going out to 1992. Going from here, it is steadily climbing. That is the torpedos.

Air-to-air missiles, you can see the inventory, is steadily climbing here up through 1992.

The surface-to-air missiles, you can see the steady climb in inventory. The investment that has been made over the last 4 or 5 years by the Congress is really increasing our inventory.

Senator DIXON. Admiral, I can see from here by the naked eye that all of them are going up, which is good, but could you leave all

those charts for us in the record? It takes so much time to clear the room at both ends. What little I have left to do is not worth clearing the room just to put those charts in the record.

Admiral HUGHES. Yes, sir. I will do that. But every one of them is in a positive mode, moving up.

Senator DIXON. It looked like you had about a half a dozen of them there. How many charts did you have?

Admiral HUGHES. They were meant to be a sample of classes of weapons. You have torpedos, air-to-air, surface-to-air, antiradiation, the Harm type missile, Cruise missiles, the Tomahawk type missile, and then lastly the air-to-ground precisions. These are high-tech weapons.

Senator DIXON. Good. Would you be kind enough to leave those charts with us?

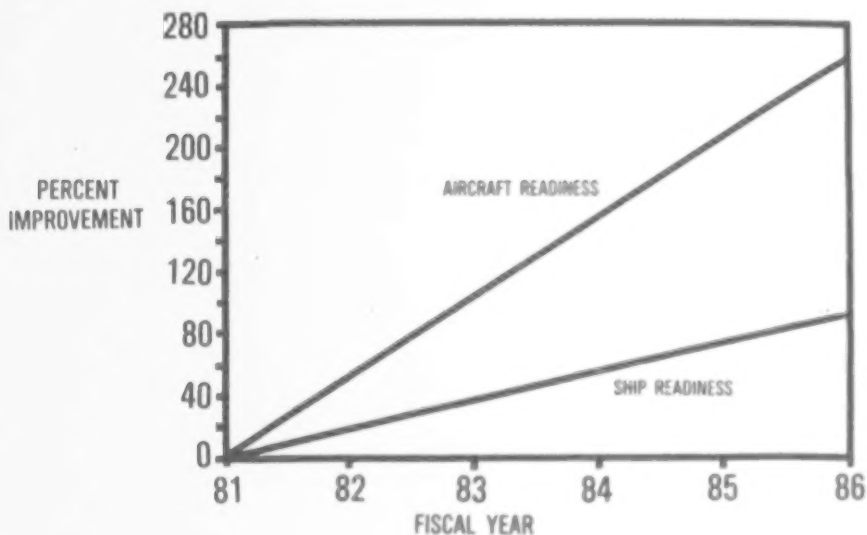
Admiral HUGHES. Yes, sir.

Senator DIXON. Copies of them for our records.

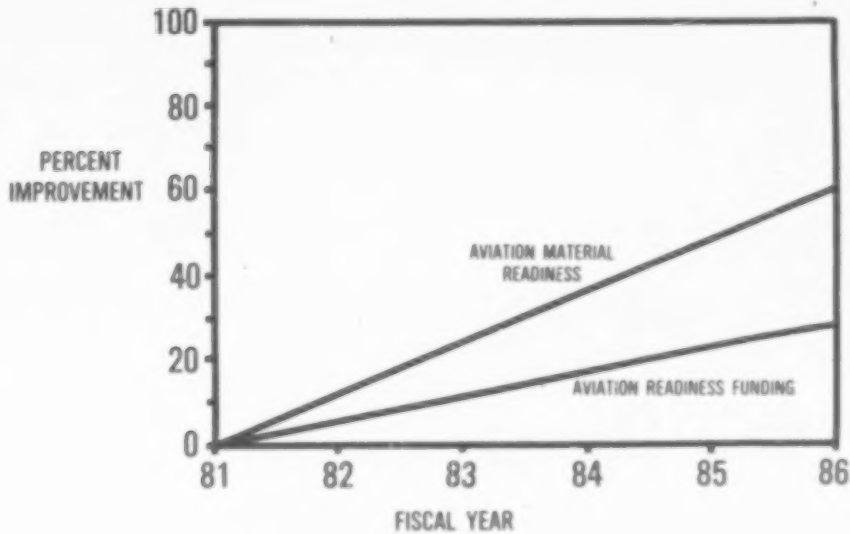
Admiral HUGHES. These are unclassified.

[The charts follow:]

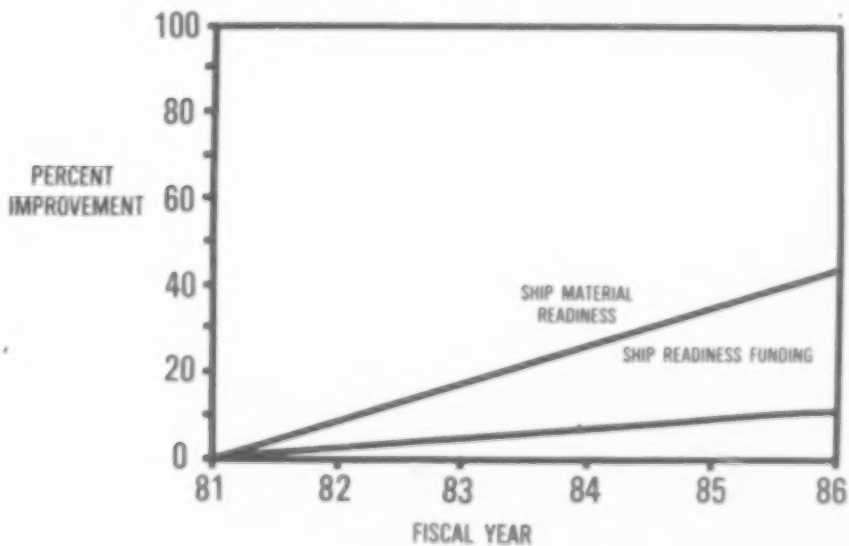
SHIP & AIRCRAFT READINESS



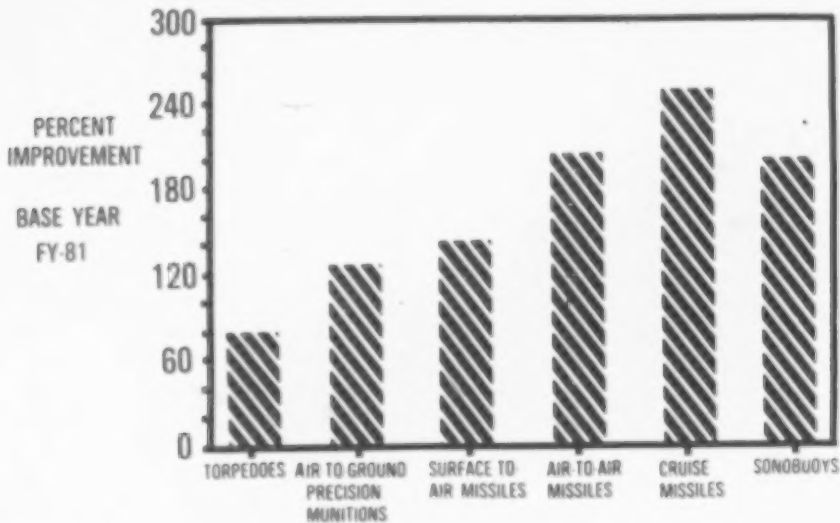
AVIATION MATERIAL READINESS



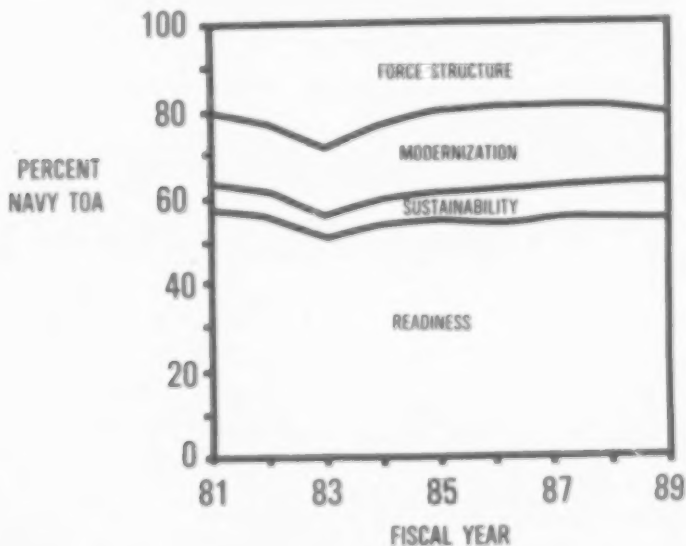
SHIP MATERIAL READINESS



SUSTAINABILITY IMPROVEMENT (INCLUDES FY87 FUNDED DELIVERY PERIOD)



NAVY TOA BY PILLAR (%)



Senator Dixon. Thank you very much.

Now how many carriers could you outfit today with their stated requirement of both level of effort and threat-oriented munitions?

You indicated your spare parts are adequate for 13 vis-a-vis 7 in 1981. Is there a similar experience on your ammunition?

Admiral HUGHES. Well, similar but not as good.

Senator DIXON. Not as good? Will you give us—

Admiral HUGHES. We are cross—

Senator DIXON. If that is classified, Admiral—

Admiral HUGHES. No, sir.

Senator DIXON. I do not expect you to give it classified. You can put it in the record later.

Admiral HUGHES. I will not give you the detail, but just to give you a feel for it, we are cross-decking certain munitions.

Senator DIXON. That was my next question.

Admiral HUGHES. This is because they are new—you know, there are not enough of them around—or because they are high-tech, or they are high expense and we have not filled them up. But for instance Phoenix, Sidewinder, Sparrow, Harm, Harpoon, we anticipate sufficient inventory by the 1989 timeframe to stop cross-decking in ammunition. We are further away than in the spare parts.

Senator DIXON. OK. You even anticipated my next question and named them.

MARINE CORPS AMMUNITION PROGRAMS

General Went, may I show you a chart comparing Marine Corps ammunition programs in the fiscal year 1987 and 1988 budgets. Bob, can you put it up?

MARINE CORPS AMMUNITION

(\$ IN MILLIONS)

	<u>FY1987</u>	<u>FY1988</u>	<u>FY1989</u>
<u>MARINE CORPS AMMUNITION</u>			
FY1987 PRESIDENT'S BUDGET	608.3	656.1	
FY1988 PRESIDENT'S BUDGET	<u>575.9</u>	<u>410.9</u>	403.6
DIFFERENCE	-171.9	-245.2	

As you can see, General Went, the Marine Corps ammunition budget request for 1988 is \$245.2 million below the level you projected for fiscal year 1988 last year, and the fiscal year 1989 level is slightly smaller. I would like to ask you, as I did the Admiral, what is the reason for these reductions?

General WENT. Let me say first that will have no real negative impact on our capability. You can ask for a percentage. If we look at what that might be, it is probably about 96 percent of the defense guidance over the funded delivery period. So we are tracking along very well.

In our case, it is more a production problem than it is a dollar problem. We are budgeting pretty well for all the things that are

available to us to buy. So we have changed our budget. We have had to change it to reflect producibility, and that is what you are seeing there.

In general, our ammunition account is looking pretty good. We are putting about 29 percent of our total procurement money into ammo. That will take us to about 96 percent of the requirements during the funded delivery period.

IMPACT OF DOD REORGANIZATION ACT

Senator DIXON. General Russo, you are familiar with the Reorganization Act we passed last year?

General RUSSO. Yes, sir.

Senator DIXON. That requires a 10-percent reduction in Defense Agency manning by October 1, 1988. I will ask you what impact this 10-percent reduction in personnel will have on your agency's operations.

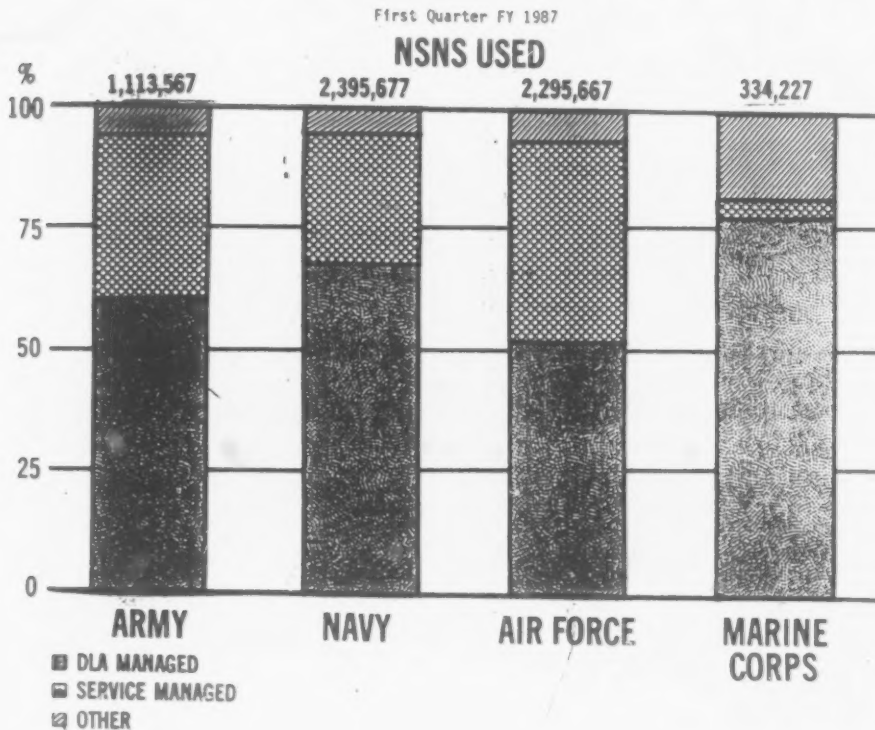
General RUSSO. Sir, as I alluded to earlier, we are working very hard in the area of productivity, we think. And second, a large percentage of my budget is linked to my personnel account. We think that we are going to need your help to be sure that we get the kinds of investments that we need to enhance our facilities, particularly in the depots, which will go a long way toward minimizing the adverse impact on our support of both readiness and sustainment of the forces. Those kinds of investments where we can get the productivity gains.

They are not going to be easy. However, the Agency has been on a productivity kick for several years going back to three of my predecessors, and they have been very successful. The environment there is tuned toward that kind of a reduction. It is not going to be easy, but we are going to work that pretty hard.

[The information follows:]

My additional concern is that the people doing the studies and reviewing the studies called for by the Reorganization Act recognize the impact we have on readiness and sustainability. For example, this chart indicates the percent of items used by each service that we manage. You can see that the military services are heavily dependent on us for support. Since most of my budget is required to pay the people who provide that support, a significant reduction in our budget could result in a significant reduction in readiness and sustainability. My review of the testimony and some of the statements that led to the action on Defense Agencies indicates a serious lack of understanding of the role we play in supporting the operating forces. I hope I've been able to improve that understanding today.

MILITARY SERVICE ITEM USE AND MANAGEMENT



Senator Dixon. I may follow on through members of the staff with each of you gentlemen for some other information, some of which will be classified. I would ask you each, if you would at your leisure, but in the short term so that we can have it in time for the markup, to accommodate us.

I would like to ask the three of you this generic question, in conclusion: Candidly, some of the testimony you have given here today—and I do not mean this in an argumentative way—would appear to me, in all fairness, to be perhaps rosier than some of the other evidence we have had from the CINCs and others concerning this.

Our general observation so far on everything that has been developed in this subcommittee and in the conventional subcommittee chaired by Senator Levin which has some concurrent overlapping jurisdiction with us, and to some extent I think that the subcommittee with Senator Bingaman, would seem to indicate that the charts kind of peak around in here on spare parts, but I of course take note of what you have said, Admiral, on ammunition, on real property maintenance, and on depot maintenance. The charts that we see kind of go up, up, up from around 1981 to about now, and most of them begin to go into kind of a steep decline. I do not believe it is exactly true in every one of those four categories, what I am going to say next, but in most of them it would appear

that when you get back out to about 1991 you end up about where you were in 1981 on some of that stuff.

So I would ask, if that is the case and these charts support it, then I would ask you, do we present here for the future the kind of problem that we once experienced a decade or so ago where you begin to let that snowball effect come into place again on all of these very important categories?

First you, General Russo.

General Russo. Sir, we have continued growth. Certainly we could only have put in for a little more, particularly in some of the areas of construction. Talking to the BMAR, the backlog of maintenance and repair, our account this year is not as great as it was last year, but I have got to tell you 1986 and 1987 the Congress supported us very, very well. So we did do a heck of a lot of the backlog of maintenance and repair in those years.

But I must tell you that in our program we are looking at, in the construction area, we have got Quonset huts out there, we have got tents out there, we have got 40-year-old buildings out there, that at some point in time we are going to have to replace them, and that is in our FYDP. But we have a program to replace them over time.

Perhaps you are not seeing all of the FYDP data and all of our future plans, and I apologize for that, but what we are trying to do is have a measured program that is in balance over the course of time, given the target levels that very frankly were given, but we work within those to try and have a balance within our organization.

We have got some concerns. I mentioned to you that I would like to do more on the automation area, because I think that will really give us some good things in the future, but I am stuck with some short-term fixes only because I cannot precisely define the long-term requirements, which is predicated on changing the process.

So I would say to you from my perspective that the agency will continue to have—there is no slope-off, as far as I can see, coming up in the outer years.

Senator DIXON. Admiral.

Admiral HUGHES. I appreciate your observation. I would have to tell you that the budget in this whole administration going back to 1981, really, has been inflated with trying to get well. A lot of the things—it is easier to talk about ammunition and the production lead time involved—are paid for; there are a lot of things that you do not see in the bins yet. They are as long as 2- and 3-years away. There are some spare parts in that category, too.

But I think the most important parameter is that in 1989 we will be at our 600-ship Navy level. That is what we have been driving for. That drives almost every aspect of our budget.

If you see downturns before then, it is efficiencies that I have discussed with you in detail that the Secretary of the Navy has put a tremendous amount of effort into that is coming to fruition. The BOSS program, the Coopers and Lybrand study for reducing indirect overhead, and things like that.

So I think our budget as submitted is adequate, and I think that you will see a downturn because we do not have to pump up in the future years forever.

Senator DIXON. General.

General WENT. I think what you hear from us and what you may hear from the CINCs reflects largely our differing views of the world. When we look, for instance, in our 1988 budget and say we can have 58 days of ammo by the end of the funded delivery period which will be somewhere in 1989 or 1990, that is different than the CINCs' view of the world which says I would like to have 90 days now.

So you see the different flavor of our attitudes, because we have to deal in terms of the budget and the projections we can make, and the CINCs are sitting out there saying what can you do for me today. So that is part of the difference I think you see.

Now, in terms of the remarks made by Senator Thurmond earlier this morning indicating that we might look at level budgets, some would say the prospects are less than that. If I project our needs out say until the early 1990s, in our procurement account we are about the \$1.4 billion in 1988 and \$1.6 in 1989, I see the need of increasing those procurement accounts by \$800 or \$900 million by about 1992. If we are looking at level budgets, and if we want to continue to modernize, we will have to buy that from readiness or sustainability or force structure, or else we will not modernize.

So I think first there is a difference in flavor on how we look at the thing compared to the CINCs. But on the other hand, if you look at the future as one of no growth or negative growth, if you will, then my view will come much closer to that of the CINCs very quickly.

Senator DIXON. Thank you, gentlemen.

This subcommittee meeting is adjourned, and we thank you for your cooperation.

Admiral HUGHES. Thank you, sir.

Senator DIXON. Thank you.

[Whereupon at 11:16 a.m., the subcommittee was adjourned, subject to the call of the Chair.]

**DEPARTMENT OF DEFENSE AUTHORIZATION
FOR APPROPRIATIONS FOR FISCAL YEARS
1988 AND 1989**

WEDNESDAY, MARCH 25, 1987

U.S. SENATE,
SUBCOMMITTEE ON READINESS,
SUSTAINABILITY AND SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

READINESS AND SUSTAINABILITY PROGRAMS

The subcommittee met in open session, pursuant to notice, at 1:33 p.m., in room SR-222, Russell Senate Office Building, Senator Alan J. Dixon (chairman) presiding.

Present: Senators Dixon, Thurmond, McCain, Warner, and Wilson.

Staff present: Robert G. Bell; John J. Hamre; George K. Johnson, Jr.; Ronald P. Kelly; David S. Lyles; and Patricia L. Watson, professional staff members; Russell C. Miller, research assistant; Mary J. Kampo, staff assistant.

Also present: Charles C. Smith, assistant to Senator Dixon; William J. Wight, assistant to Senator Warner; and Alan Ptak, assistant to Senator Gramm.

OPENING STATEMENT OF SENATOR ALAN J. DIXON, CHAIRMAN

Senator DIXON. Ladies and gentlemen, the Subcommittee on Readiness, Sustainability and Support meets this afternoon for its fifth hearing on the President's fiscal years 1988 and 1989 defense budget.

We are very pleased to have the Deputy Secretary of Defense, the Honorable William Howard Taft IV as our witness this afternoon. Secretary Taft will present an overview of the fiscal years 1988 and 1989 budget in the areas of readiness, sustainability and support.

Last year before the preparedness subcommittee, Secretary Taft provided a similar overview at the conclusion of our subcommittee's hearings on the fiscal year 1987 defense authorization request and frankly I thought it was one of the subcommittee's best hearings last year.

Secretary Taft, over the past month this subcommittee has held two hearings with the designated representatives of five of our Unified Commanders in Chief. We have also had two hearings with the

Senior Logistic Commanders in each of the military services, and the Defense Logistics Agency.

This afternoon's hearing is the subcommittee's final hearing before we begin our markup of the fiscal years 1988 and 1989 defense authorization bill next month. In light of this fact, I would like to take a few minutes to set out my observations on the fiscal years 1988 and 1989 defense budget request based on the hearings we have had over the past month.

Mr. Secretary, last year I said that I thought the significant improvements in readiness and sustainability that we had achieved during the first half of the 1980s were being placed in jeopardy by the imbalances in the fiscal year 1987 budget.

Unfortunately, I think the imbalances and misplaced priorities are even more serious in this year's budget. Let me give you some specific examples. In all of the military services funding for spare parts in this year's budget has been cut below the level projected for fiscal year 1988 in last year's budget.

This year the Army is asking for \$274 million, or 35 percent less in aircraft spare parts funding in fiscal year 1988 than they projected last year for fiscal year 1988. Army aircraft spare parts funding in both fiscal year 1988 and fiscal year 1989 is below the fiscal year 1987 level.

This raises the question of whether the Army will have enough aircraft spare parts over the next several years to support its proposed growth to 18 hours of monthly cockpit time for combat air crews. The Navy is asking for \$234 million less in aircraft spare parts funding than they projected last year for fiscal year 1988.

The fiscal year 1989 level is even lower. \$361 million or 22 percent below the fiscal year 1987 appropriated level. The Navy testified that they hoped to achieve these reductions through better management of the spare parts procurement process with no reduction in spare parts support.

Well, I hope they are right, but it is hard to see how the Navy is going to save 22 cents out of every dollar they are spending for spare parts today in just 2 years. If these savings are not achieved, the reduced funding will mean reduced readiness.

This year, the Air Force is asking for \$1.5 billion, or 33 percent less in spare parts funding than it projected for fiscal year 1988 in last year's budget. According to the Air Force, last year's budget request funded only 56 percent and 58 percent of the Air Force's annual spare parts requirements in 1987 and 1988 respectively.

Secretary Taft, you told this subcommittee last year that you had reduced the Air Force's budget request for spare parts for fiscal year 1987 because the Air Force could not prudently and efficiently spend the full amount they had asked for. But this year, the Air Force indicated that the fiscal years 1988 and 1989 budget funds only 52 percent and 45 percent, respectively, of their annual spare parts requirements.

So the gap between annual requirements and funding that we saw in the Air Force spare parts program last year gets worse this year, and even worse next year. Mr. Secretary, all the designated representatives of the Unified Commanders in Chief expressed concern that the Air Force tactical aircraft sustainability would de-

crease by 19 percent by 1991 from where it is today because of spare parts funding cuts.

Real property and depot maintenance are two other areas where the lines on the graphs are pointed down instead of up. Both Congress and the Defense Department have made strong efforts over the last several years to reduce the backlog of real property maintenance in the military services. Unfortunately, the level of real property maintenance funding in 1988-89 means that the backlog of real property maintenance will increase in all four services in fiscal year 1988, and increase again in fiscal year 1989.

At the same time that our current facilities are deteriorating, we are being asked to fund the development of several new or expanded installations at home and overseas; Navy home ports, and division headquarters, to name a few, plus new administrative complexes have in Washington for the National Guard and Defense Communications Agency.

All of this raises questions about our priorities. Why should we construct new installations when we are not maintaining what we already have?

There was a lot of talk in the early 1980s about the need to break down the large backlogs of weapons and equipment overdue for depot level maintenance. Working together, Congress and the Defense Department have been able to reduce these depot maintenance backlogs to manageable levels. But according to the testimony we have received in the last month, the depot maintenance funding levels in this year's budget will result in depot maintenance backlogs in the Army and Air Force that are substantially larger, even as a percentage of the total requirement, than we had in 1980.

This budget funds 96 percent of the Air Force depot maintenance requirement in fiscal year 1988, but only 88 percent in fiscal year 1989. The comparable figure for 1990 is 95 percent. The Air Force is currently projecting a depot maintenance backlog of over \$400 million in fiscal year 1989. This budget funds only 79 percent of the Army's depot maintenance requirement in fiscal year 1988, and only 78 percent in fiscal year 1989. The comparable figure for 1980 is 89 percent.

The Army is currently projecting a depot maintenance backlog of approximately \$500 million for fiscal year 1989. A final area of concern that I want to mention, Mr. Secretary, is one that was raised by all of the designated representatives of the Unified Commanders in Chief: The low levels of readiness of our combat support and combat service support units in both the Active and Reserve components.

Frankly, some of the testimony we have had in this area has been very alarming. The Central Command witness testified that 30 percent of his Active and Reserve combat support units, and 27 percent of his combat service support units, were rated not-combat-ready because of shortages of trained personnel.

The Active Army is heavily dependent on the Army Reserve for combat support and combat service support, but 55 percent of the Army's Reserve Units in fiscal year 1986, more than one of every two units, were rated not combat ready. These figures on the readiness of our group combat support and combat services support

units raise serious questions about the long-term sustainability of our ground forces in combat.

Mr. Secretary, these observations on readiness and sustainability programs in this year's budget are discouraging for several reasons.

First, under this budget we will be losing ground from where we are today in many areas. We have made substantial improvements in our readiness and sustainability since 1980, but this budget will reverse that trend.

Second, the 5-year defense programs in the past have always been noted for the optimism of their out year projections. The problems in the first year always got better in the second, the third, or the fourth year. Unfortunately, I regret to say that is not true this year. Many of these problems—spare parts funding, depot maintenance, and real property maintenance backlogs—actually get worse in the second year of this 2-year budget request.

Finally, Mr. Secretary, what is most discouraging is that these reductions in readiness and sustainability programs are coming in the context of a defense budget that is projected to grow—to grow—by 3 percent in real terms each year for the next 5. This tells us something about the priority of readiness and sustainability programs, I think, in the Department today.

If Congress and the President do not agree to raise revenues or revise the Gramm-Rudman deficit targets, the Defense Department is not going to get 3 percent real growth in its budget in fiscal year 1988 or fiscal year 1989. In that kind of an environment, it is going to be even harder to preserve the readiness and sustainability gains in the last 5 years.

Mr. Secretary, I admit that this subcommittee is a little parochial when it comes to readiness and sustainability programs. It is our responsibility of course to be that way. But the problems that I have raised this afternoon go beyond subcommittee parochialism to the basic priorities of our defense program.

We appreciate your willingness to discuss these priorities with us this afternoon. I welcome your response to my observations in your opening remarks, and in your responses to our questions. We will reserve a brief period, if you do not mind, at the close of the hearing for any discussion of classified material.

I want to thank you, Mr. Secretary, for honoring us again in this subcommittee this year, and we want you to know how much we appreciate the fact that you are able from time to time to give us the benefit of your expertise.

Secretary Taft.

STATEMENT OF HON. WILLIAM H. TAFT III, DEPUTY SECRETARY OF DEFENSE

Mr. TAFT. Well, Mr. Chairman, thank you very much for the opportunity to appear before this Subcommittee on Readiness, Sustainability, and Support. I do have a long statement which I believe has been submitted to the committee in advance of this hearing.

Senator DIXON. It has, Mr. Secretary, and I have read it thoroughly, and it is a very excellent presentation.

Mr. TAFT. I would ask that that be included in the record. I also have a shorter oral presentation which I would like to make with

some charts that I think would be helpful to the committee and to our discussion.

Senator DIXON. Well, I thank you very much. Your full statement will be reproduced in full in the record. We thank you for your statement with some brevity.

Mr. TAFT. Thank you very much, Mr. Chairman.

At the outset I would also like to say, though, that I as you do remember our hearings of last year, and I share your view that they were an extremely useful exchange for us to have. I also recall that at that time you and other members of the committee expressed some disappointment with some of the funding allocations that we had made in the budget that was before you at that time.

My approach last year was in some instances, as you mentioned in the case of the Air Force spare parts, to indicate that I did not think we could use any more; but more frequently it was to say that we could indeed use more funds in these areas usefully, that we had reduced them out of the budget in order to meet a top line total that was constrained by fiscal circumstances, and that these were tough choices that we had made in the administration and that the Congress, I anticipated, would have to make in the course of the year.

I should say that the Congress did make them in the course of the year. While there was some disappointment expressed at the outset with the priorities that were reflected in the administration's budget for readiness, I have to say that in the reductions that were made last year of some 10 percent roughly in our overall request, while some areas of the readiness accounts were indeed increased—that would be normal and we would have examination and consideration that the Congress would go into before doing that—I would also have to note that quite a few areas were not increased, despite your desire to this subcommittee to do that, and despite my desire. Indeed, a number were reduced.

I can say to you again this year that there are more reductions even than last year. I would say that the differences between us do not exist in our desire to fund readiness. We support these expenditures, and we give them a very high priority in our budget.

We have got the responsibility, however, within limited resources of meeting a number of demands and threats to our national security, and that is what our budget reflects. We will work with the Congress as it examines that budget to explain our priorities, and as we go through the process I will hope that whatever you may do in the Congress to our readiness budget, or the budget that is within this committee, that you at least maintain it at the level that we submitted it.

And that means—and I should make this very clear, Mr. Chairman, because this committee, I have to say, has been probably the most supportive forum for these accounts that there is in the Congress. While your committee did very well last year, some water was spilt later on in other committees and in conferences that I think you know as well as I we did not end up with as high a budget in these areas overall. While it is nice for me and nice for you to be able to say that this committee does a good job, it does not really put a dollar into the till until the President is able to

sign a bill with that in it. So there is more work outside of this subcommittee.

Senator DIXON. I regret to say that you are entirely correct about this, Mr. Secretary. When it leaves here, they premise everywhere on the route from here through the Senate, through the House Armed Services Committee, to before the House, in ever diminishing amounts.

Mr. TAFT. Yes. So we have seen this, and we need to work, and I will be working not only with this committee but with those other committees, and I am sure that you will be joining us in those battles that lie before us.

I would also like to compliment the committee and you, Mr. Chairman, on having the hearings that you have had with the CINCs and their representatives. This has been, I have found, a source of great assistance to me in preparing the budget. While we do not always agree with them and give them everything they desire, it is an extremely valuable perspective for me to have, and for this committee to have as we consider these matters. So I want to just compliment you on that and I hope that it is a practice that will always be continued.

Mr. Chairman, later in this hearing I will show you some of the data that reflect the fact that we have indeed increased our readiness over the past 5 or 6 years, and also go over the proposals that we have made. But first I would like to review briefly the issues that are associated with measuring readiness itself, and the military capability more generally that is involved, and bring you up to date on some of our efforts to evaluate the status of our military forces objectively.

I would like to reemphasize the clear distinction between readiness and overall military capability. These terms are often confused, or occasionally used interchangeably, but as I will explain the term "readiness" as used in DOD has a specific, fairly narrow meaning. What is of more concern to us, and I believe to the Congress and the public, is our military capability more broadly expressed.

Military capability is ultimately the ability to be successful in the conduct of military operations. The variables that govern success or lack of it in such operations are many. Some of them, particularly those pertaining to human performance, are extremely difficult to measure.

Our problems in measuring capability have been acknowledged by us in testimony before you and in reports of other organizations like the GAO. These difficulties notwithstanding, I would like to say that we have made some significant progress in developing better indices over the past year, and we intend to keep on doing that.

Last year I described for you our current approach to improving our assessment techniques which centered around formation of an OSD/OJCS Steering Group which was to oversee this effort. That group has completed now its first major task, which was producing the Military Status Report that was presented to you last June. They have gone on to develop new measures, several of which I will be discussing later in this testimony. These measures will be

incorporated in a second edition of the MSR, as we like to call it, which will be available to this committee in May.

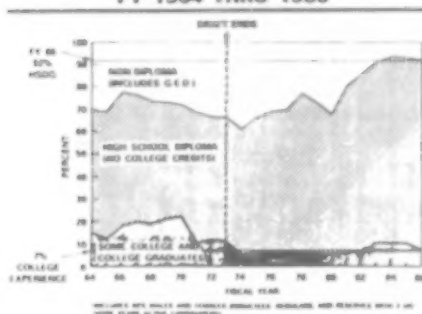
I would now like to summarize our progress in readiness and sustainability, two of the primary pillars of defense effort that are often grouped together. Then I will discuss briefly our military construction program, which in your letter to me you noted was within the jurisdiction of this committee. Finally, I will return to a discussion of our overall military capability with appropriate emphasis on our other two pillars, force size and modernization.

I will treat readiness and sustainability in terms of their personnel and material components. There are two components of personnel readiness. These are personnel numbers and the training that is provided to our personnel.

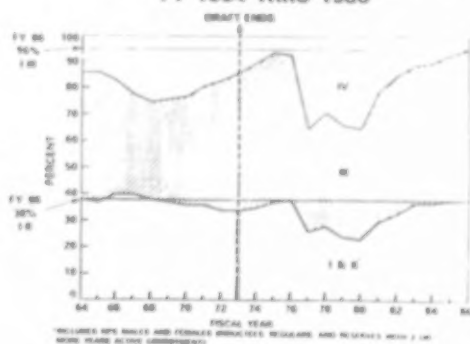
On the quantitative side our military manpower has risen about 7 percent over fiscal 1980 through 1987 commensurate with the modest expansion in our force structure, and Reserve component manpower has increased more than commensurately—that is, about 36 percent—over the same interval.

GRAPH 1

**DISTRIBUTION OF DoD NPS
ACCESSIONS* BY EDUCATIONAL
ATTAINMENT
FY 1964 THRU 1986**



**DISTRIBUTION OF DoD NPS
ACCESSIONS* BY AFQT CATEGORY
FY 1964 THRU 1986**



Qualitatively, we have achieved our goal of recruiting high quality young men and women as shown in this first chart which we have here. We will continue to do that if we have increased congressional support for our compensation programs. As you can see in that chart, the quality of our troops is higher at the end of 1986 than it was in the period covered by this chart at least back to 1964, by the standard measures, and most significantly that is higher by a major amount than it was under the draft that we had some 15 years ago.

In this connection of keeping the quality of our recruits up, I would like to emphasize that it is essential that the Congress this year vote the full 4 percent military pay raise that we have requested with no delays in its implementation. That is the single most important thing we think can be done to assure the quality of our people.

7

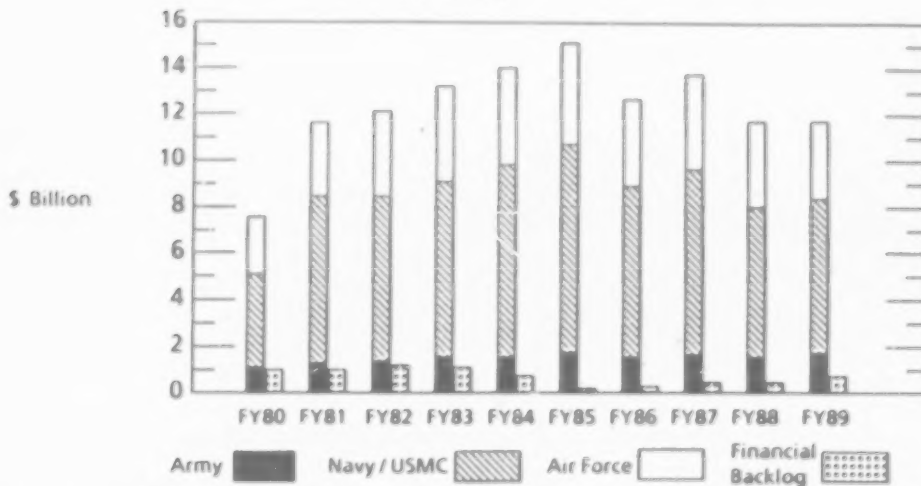
SELECTED TRAINING IMPROVEMENTS, FY 1980 - 86

TRAINING TYPE	FY 1980	FY 1986	INCREASE
Army Battalions At National Training Center	0	28	N / A
Air Force Tactical Aircrew Flying Hours (Per Month)	15.6	19.3	24 %
JCS Exercises (000 MAC Flying Hours)	36	49	36 %

We have also improved the training of our forces considerably, as attested in particular by the increases over fiscal year 1980 through fiscal year 1987 shown in this chart. Army battalions that are cycled through the National Training Center are up to 28 a year, which is the capacity of that facility. Air Force tactical air flying hours are up nearly 24 percent; and JCS exercises measured in terms of MAC airlift support provided to them are up 36 percent.

CHART 3

Depot Maintenance Funding and Backlogs (FY88 \$)

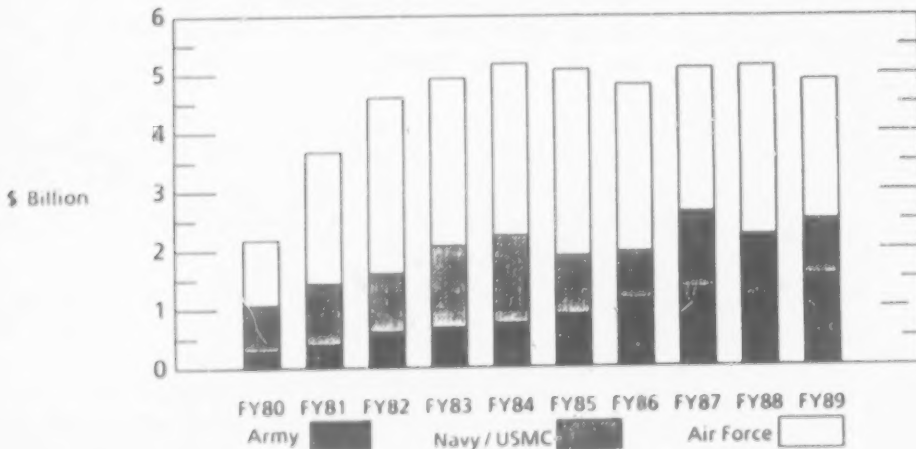


Turning now to materiel readiness, I would like to start by noting that both depot maintenance and spares, funding have stabilized in fiscal year 1986 and later, following substantial growth

over fiscal years 1981 through 1985 that yielded high payoffs in a more ready force. This chart demonstrates our success in reducing the depot maintenance funding backlogs in the first half of the decade. We intend to keep the financial backlog at approximately the fiscal 1987 level in 1988, and as you noted in your opening statement, Mr. Chairman, that is not as good as we were in 1985 and 1986, or as good as we would like to be. On the other hand, it does conform to where the Congress left us in the budget at the end of last year.

CHART 4

**Funding For Peacetime Operating Stocks
(Secondary Items - FY88 \$)**



Both depot and field-level maintenance depend critically on the availability of spares and repair parts. We have substantially increased and are maintaining our annual investment in replenishment spares to support peacetime activity levels and improve the operational availability of our ships, aircraft, and combat vehicles.

In addition, we have fully funded initial spares to ensure that our newest and most effective equipment is adequately supported, and that is shown in the chart that is up here. We are also requesting about \$1.2 billion to increase the "corpus" in our revolving funds, will enhance further the responsiveness of our supply system in meeting the needs of the future.

CHART 5

MISSION CAPABILITY OF AIRCRAFT AND EQUIPMENT

	FY 80	FY 86	GOAL
ARMY (FMC)			
AIRCRAFT	66	75	75
FIRE SUPPORT ARTILLERY	88	92	90
FIRE SUPPORT MISSILE SYSTEMS	91	96	90
TANKS	86	85	90
COMBAT/COMBAT SUPPORT VEHICLES	88	89	90
NAVY (MC)			
TOTAL AIRCRAFT*	59	74	73
FIGHTER/ATTACK AIRCRAFT*	53	70	68
AIR FORCE (MC)			
TOTAL AIRCRAFT	66	78	75
FIGHTER/ATTACK AIRCRAFT	62	77	74
MARINE CORPS (FMC)			
ARTILLERY	88	84	85
MISSILE SYSTEMS	94	88	85
TANKS	86	86	85
COMBAT VEHICLES	84	81	85

* INCLUDES MARINE CORPS AIRCRAFT

We use mission capable rates as an indicator of peacetime readiness of our equipment. A piece of equipment is considered mission capable if it can perform at least one of its primary missions, and it is fully mission capable if it can perform all of its missions. As indicated in the detailed table on this chart, over fiscal years 1980 to 1986 we raised the mission capability of our aircraft and equipment in most categories. We expect that these rates will continue to approximate stated goals as is now the case. These are really, particularly in the aircraft figures, which were extraordinarily low in 1980, a tribute to the support that we have given this in the department and that this committee and the Congress have provided to this critical area in our force.

With the exception of the Army, the equipment fill of our existing force structure is generally good. The Army problem has been highlighted to the Congress several times in the past. We simply do not have sufficient funds to buy modern combat equipment and also provide the needed support equipment for all Army units. However, we are making good progress in this area.

Last year I told you of the substantial advances the Army had made in correcting equipment shortages among some 450 forward-deployed and early reinforcing units. This was done at little or no additional cost by channeling newly procured and recently overhauled equipment directly to these units. The Army has allocated \$118 million in fiscal year 1988 and \$128 million in fiscal year 1989 to continue this effort. These funds will be applied largely to support items and, I think, will have more impact on this area because

of the special direction they are given that the dollars themselves would normally imply.

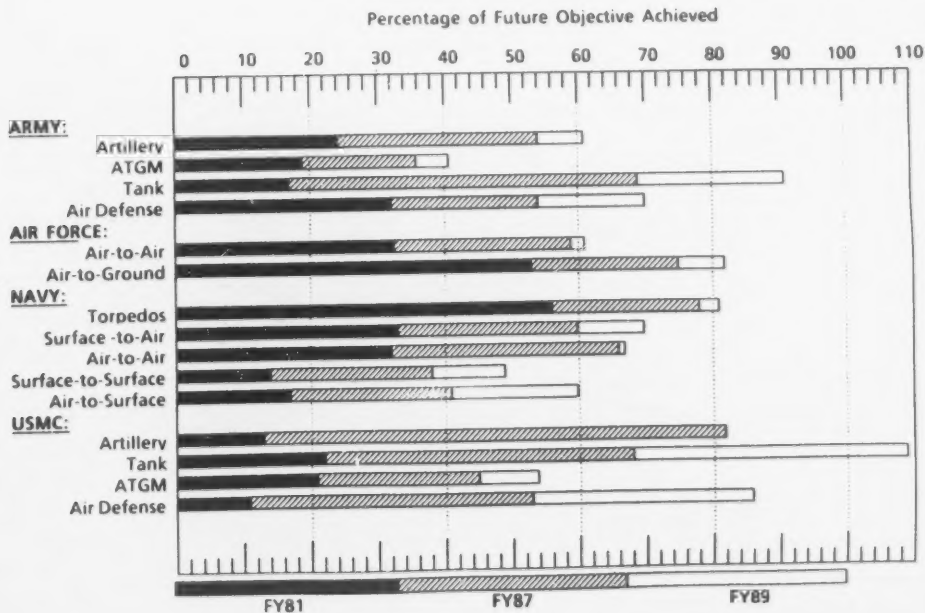
Next I would like to address sustainability, starting again with the personnel component. There are four aspects of personnel sustainability: the size and structure of the Active Forces, the size and structure of the Selected Reserve, the pretrained manpower pool, and the training base to process volunteers and conscripts that may come from the Selective Service system in time of war. Together, these four aspects give us the ability to get properly trained units and people into combat when they are needed.

In my testimony last year I mentioned several steps that we were taking to enhance personnel sustainability in the pretrained manpower pool.

The first was to extend the military obligation from 6 to 8 years. This increased the size of the Individual Ready Reserve, the IRR. We expect to have about 670,000 people in the IRR by 1990. We have also established better controls on the IRR by annually screening its members so we are sure we know where they are and that they are physically fit. This helps us to assess their refresher training needs and their physical condition. It also helps ensure that we know, as I say, exactly where they are and that they know that we have an interest in them, and that they are a part of this effort.

Our material sustainability objective is to provide our troops all the support they need to fight and to win. Wartime demands for material would of course be many times larger than normal peacetime consumption.

CHART 6
Progress In Improving
Sustainability in Munitions

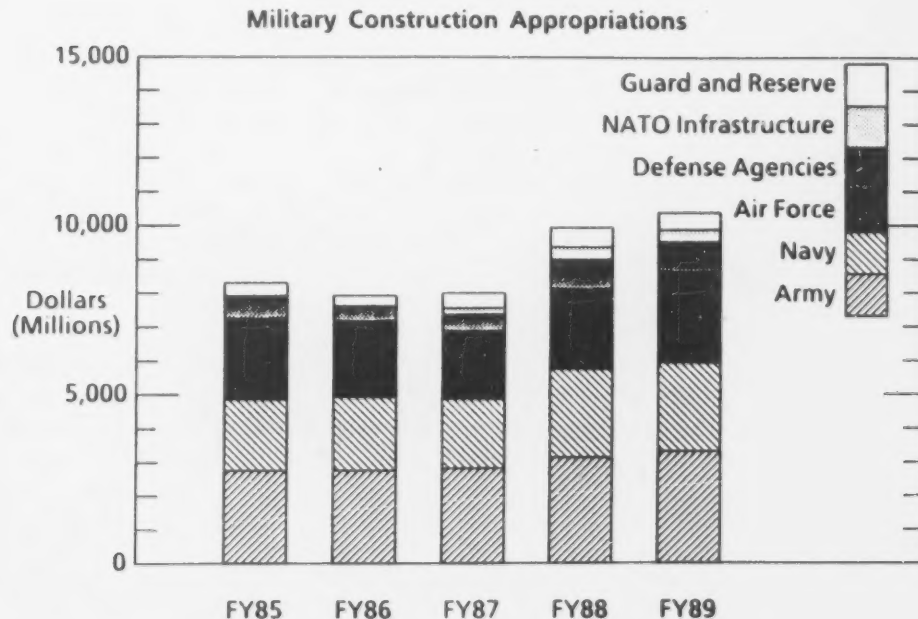


We are maintaining our emphasis on sustainability as our second priority next to readiness. Despite physical limits, we have succeeded in maintaining fiscal year 1988 and fiscal year 1989 munitions funding at roughly the level approved by Congress in 1987, which is approximately 2.5 times higher in real dollars than it was in 1980. The result is that our forces are equipped with more and far more effective, munitions than they were 5 years ago. The chart that is before you illustrates their point dramatically. It shows the improvements since 1981 in munitions stockpiles for specific mission areas as a percentage of constant requirements. The left portion shows our posture with deliveries funded by 1981. Then the middle part is where we are a result of congressional action through 1987, which is a little bit below where our budget last year would have proposed to put us, and then where we will get if you fund the 1988 and 1989 budgets at the levels proposed. As you can see, in each area we are improving.

We also need large supplies of war reserve secondary items that would be consumed rapidly in a war. We started out this administration with a bare minimum of such supplies, but over the past 5 years we have been able to build up our stockpiles considerably. With funding requested through fiscal year 1988, we will attain about half of our secondary item objectives.

You will find additional details on our readiness and sustainability programs in my statement for the record. I would now like to turn briefly to the topic of military construction.

CHART 7



We have a chart on that. Our Milcon request maintains the progress that we have since 1981, and continues to redress the neglect of our facilities that was caused by inadequate funding in the 1970s. Of particular importance are programs that modernize our

physical plant and improve living and working conditions for our people. The facilities we are seeking represent yet another key investment in defense—that is, in people—an investment that will be repaid in the form of improved pride, performance, and combat readiness that comes from working in a more up-to-date and pleasant and effective and satisfying environment. We invest billions of dollars in weapons systems, but it is essential to remember that people are the most important factor in putting these systems to use.

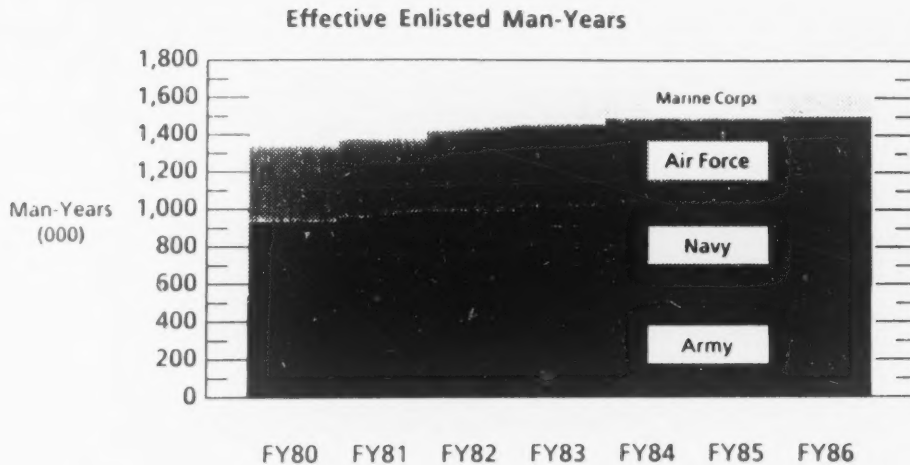
Military construction is only 3 percent of the total defense budget request, but it is a critical investment with significant pay-offs. The field commanders have often emphasized the high priority that they place on facilities. For example, General Rogers said recently, and I quote: "Combat capabilities of our forward-deployed forces are directly related to the quality of the facilities in which those forces work and live." Investments in facilities pay us back quickly, not only in higher morale and better readiness, but increased worker productivity.

The Defense Department's goal is to invest at least 2 percent of our total plant value in construction each year. The budget authority that we requested last year met that goal. But even though the Congress voiced its support for improved facilities, the fiscal year 1987 appropriation for military construction provided only 80 percent of the budget authority requested, reducing the program to a level that is not sufficient to maintain and revitalize our facility base. We must get these programs back on track, and our request for military construction funding of \$10.1 billion in 1988 and \$10.6 billion in 1989 do that. They deserve your full support.

I would say that these accounts over recent years have been really penalized by being forced to absorb a far larger share of the reduction in the defense budget even than was made by the Congress. Last year it was almost 20 percent, about 18 percent, and that is not untypical of the year before that, and the year before that. If we keep going this way, and I know it is the easy cut, and particularly I have to say it is an easy cut when it is military construction overseas, it is really penny wise and pound foolish to do this. Our troops need facilities overseas just the way they need them here. In fact, they need them more because they are not in the United States and we should treat them as well as we can and with modern facilities. So I make that point to you, and I emphasize it.

We will be emphasizing quality in new construction, and of course we are also concerned with renovation and base services. Increased congressional support for military construction and other facilities' support programs will ensure that our forces do have the high quality peacetime living and working environment that they need to accomplish their mission.

CHART 8



Let me now summarize briefly some highlights of the progress that we have made in improving our overall military capability over the past few years, and that we are projecting over our 5-year program period with an appropriate emphasis on modernization and force structure in addition to readiness. The information that follows is drawn from the update of the MSR, the Military Status Report now nearing completion.

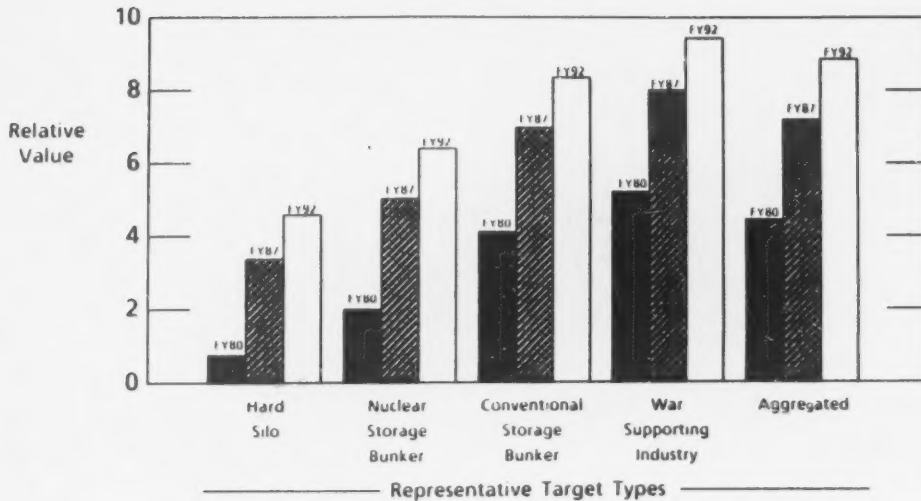
I will address improvements in our overall capability in seven major categories. The first is manpower, which as I indicated earlier is an area of significant but potentially perishable progress. Our growth in manpower capability is of transcending importance because it contributes to capabilities across the full range of war-fighting and support functions.

Then I will cover progress in six mission categories ranging from strategic nuclear forces at one end of the conflict spectrum to special operations forces at the other.

For this year's MSR update we have developed a new index of composite manpower capability. It is called "effective enlisted man-years" and it reflects the combination of strength increases and improved productivity as denoted by percentages of the first-term and career enlisted force capable of passing a skills qualification test. As shown in this chart, there has been steady growth in our effective enlisted man-years over the fiscal years 1980 through 1986 period. This measure has gone up by 12 percent for DOD as a whole, with individual service growth ranging from 10.5 percent for the Air Force, up to 14.3 percent for the Navy.

CHART 9

Strategic Nuclear Kill Potential



This next chart presents an aggregate measure of U.S. strategic nuclear kill potential against four representative target types, first in 1980 then in 1987, and then what would be the case in 1992 under our projected budget. The measure incorporates weapons' quality, accuracy, yield, reliability, and deliverability. It combines damage expectancy against the specified target types over all U.S. strategic forces.

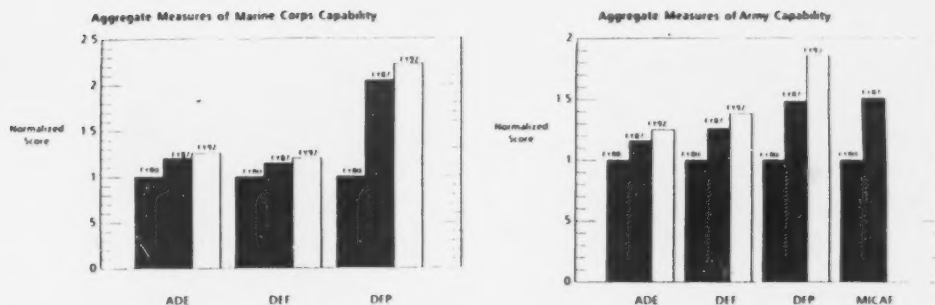
As the chart shows, our relative improvement is greatest against the most challenging target class, which is the hard ICBM silo. These are the most difficult targets to damage, and before 1980 our ability to attack them effectively was close to nothing.

The bar at the right of the figure attempts to capture in one measure—aggregates from the other four—the relative improvement in our capability to attack the entire spectrum of enemy targets, ranging from easily damaged industrial facilities, to very hard silos. Between 1980 and 1992, our capability under this aggregate measure almost doubles.

These results reflect a favorable combination of assumptions concerning degree of force alert and promptness of employment. Other less favorable combinations produce lower estimates of our absolute capability, but they all show comparably positive trends over the 12-year period 1980 to 1992.

CHART 10

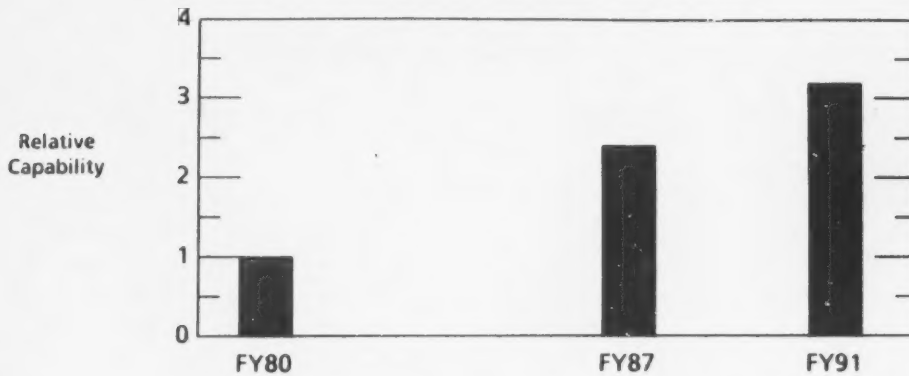
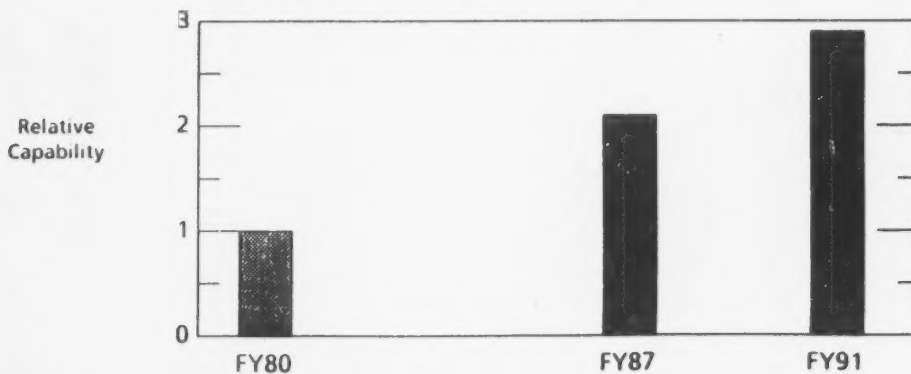
AGGREGATE MEASURES OF GROUND FORCES CAPABILITY



Programs that are designed to strengthen the warfighting capability of our ground forces have resulted in an Army and Marine Corps that are more capable than at any time in recent history. The primary method used by the Army to assess changes in its warfighting capability is called MICAF—a system which stands for Measuring Improved Capability of Army Forces. This computerized combat simulation model measures changes in warfighting capability resulting from both the fielding of modernized equipment and force structure improvements. Manning, logistics support, and command and control factors are also taken into consideration.

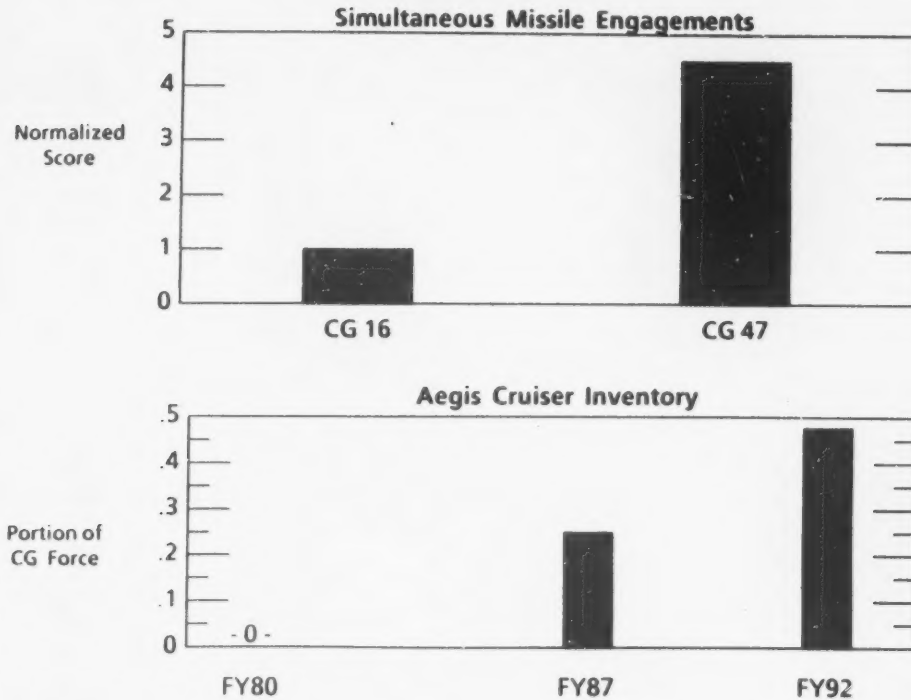
Both Army and Marine Corps capabilities can also be assessed by using static measures of size and modernization, which are also shown on these charts. Three of the more common of these indices are the familiar Armored Division Equivalent measure, and the more recently developed Division Equivalent Force, and Designated Force Potential measures. This chart shows growth trends in Army and Marine Corps forces over 1980 to 1992 using these three static measures and MICAF in addition for the Army forces to which it has been applied. It has not been applied to the Marine Corps, but you can see that in each case under any measure you choose, we have made progress and we will continue to make progress under the budget that we have proposed.

CHART 11

Relative Air - To - Ground Target Kill Comparisons**Relative Air - To - Air Target Kill Comparisons**

We have experienced major increases over the past 7 years in our capability to generate wartime fighter sorties, and to load the aircraft flying them with modern munitions. Our aircraft quality has also grown significantly. More progress is projected in all of these areas. As shown in this chart, these changes are contributing to sharp increases in our assessment of capability for two of the primary tactical air missions—air-to-air and air-to-ground combat—as measured by the Air Force's Tactical Air Capability Indices. These indices take account of the quantity and the quality of our aircraft and munitions, and of our sortie-generation capability with respect to constant European-theater threats and target sets. And again the improvement is palpable.

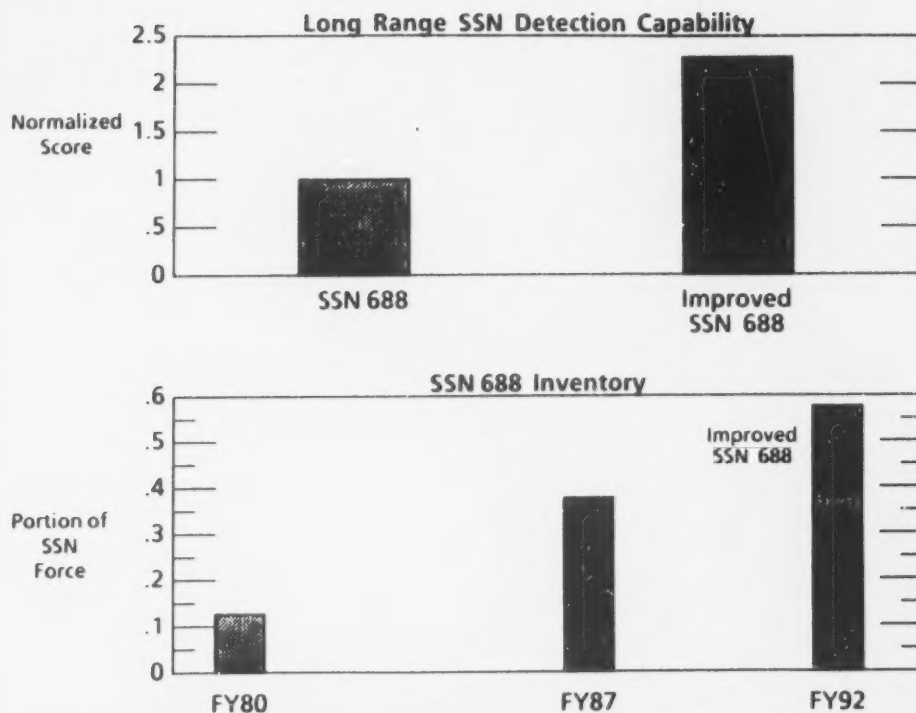
CHART 12

**Surface Combatant AAW
(Anti-Air Warfare)**

The warfighting capability of our naval forces has improved markedly with increases in both the quality and the quantity of our ships. We have also developed a number of significantly improved surface and subsurface weapon systems. Representative improvements in our naval anti-air and antisubmarine warfare capabilities are depicted in this chart, and also in the one that follows. The simultaneous missile-engagement capability of our new Aegis cruiser versus an older one, and the fraction of our cruiser inventory which actually consists of Aegis ships are shown in this chart, and you can see the increase in overall capability that is implicit in that.

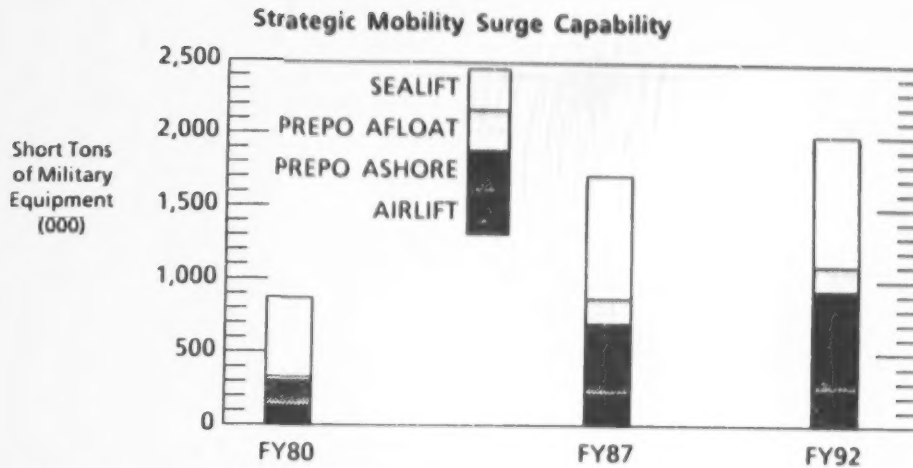
CHART 13

Submarine ASW



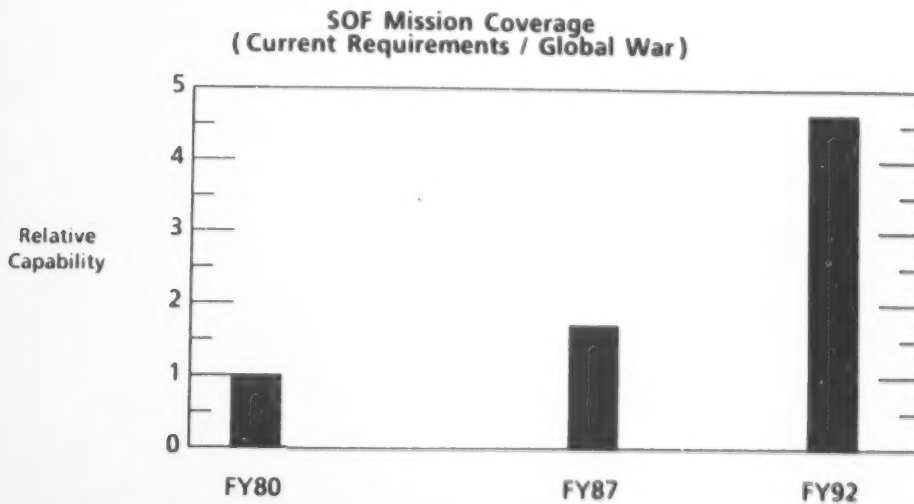
The long-range detection capability of our SSN-688 submarines equipped with improved combat systems versus the capabilities of unimproved SSN-668s, are shown on this chart along with the growth over the fiscal years 1980-1992 period in the portion of the SSN force that has been upgraded with this particular item.

CHART 14



Another new measure developed for the MSR's second edition pertains to strategic mobility forces. In this measure we have attempted to aggregate our "surge" capabilities in all three strategic mobility modes: airlift, sealift, and pre-positioning. The measure is short-tons of military equipment produced by a combination of 30 days of airlift operations, which both deliver directly and generate pre-positioned unit equipment stocks, and a single sailing of the sealift fleet. This chart shows fiscal years 1980 through 1992 trends in this new measure.

CHART 15



The unique capabilities provided by Special Operations Forces extend across the entire spectrum of conflict. We have built up here as well, with more improvements included in our current 5-year program. Improvements are depicted on this chart, which em-

employs a new composite measure that encompasses both the size of our Special Forces and our ability to transport and resupply them by air in prosecuting illustrative missions during a large-scale war. In this situation, as distinguished from most of the charts that I have been displaying, Mr. Chairman, the bulk of the program lies in the future and is funded in the budget before you, as opposed to being in what we have already done.

In conclusion, I would like to emphasize that all aspects of our military capability have improved—most of them substantially—over the past 5 years. Further increases will result from the fiscal year 1988-89 budget and associated 5-year defense program provided that we have your support for our buildup this year, and that it is sustained.

But as the JCS military posture report warns, and again I quote: "Although new equipment is still coming out of the pipeline, much of [our] gain in military capability could be lost in funding cuts to the Defense budget continue."

Mr. Chairman, we have over the last 2 years sustained reductions to our real defense program amounting to about 7 percent, so that the fiscal year 1987 program is some 7 percent below the fiscal 1985 program.

We can argue about priorities within the program, and I am sure we will do that, and we will have differences, but I think all of us can agree that the trend that has been evident in the last 2 years where we have 7 percent less in the 1987 defense program than we were able to buy in 1985 is not a question of priorities at that stage. It is a question of totals, and we do need the overall totals that we have requested in this budget if we are to make progress in the critical readiness area.

The experience of last year shows not that reductions that were made in the President's budget went from one area to another, but that they came out of all areas, including readiness.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Taft follows:]

PREPARED STATEMENT OF HON. WILLIAM H. TAFT IV, DEPUTY SECRETARY OF DEFENSE

I. INTRODUCTION

The JCS Military Posture report accompanying this year's President's Budget states that:

The ability of our nation's military forces to accomplish their warfighting tasks has continued to improve. These enhancements encompass all aspects of military capability: readiness, sustainability, modernization, and force structure efforts.

Later in this hearing, I will again show you some of the data that support such a conclusion. But first, I want to review the issues associated with measuring readiness, and military capability more generally, and bring you up to date on our efforts to evaluate the status of our military forces objectively.

Let me begin by underlining that there is a clear distinction between the terms "readiness" and "military capability." All too often there has been a tendency to confuse these terms, or to treat them interchangeably. For example, one frequently finds the size, modernization, and combat staying power of our forces discussed under the heading "readiness." As I will explain in more detail subsequently, the term "readiness" as used in DoD has a specific, fairly narrow meaning; what is of broader concern to us in DoD, and I believe to the Congress and the public, is "military capability."

Figure 1 outlines my presentation. I will first update you very quickly on our efforts to develop better capability measures. I will then define the four "pillars" of military capability more rigorously and cover the first two of them--readiness and sustainability--in much the same detail we provided last year. Then I will discuss our Military Construction efforts, which I understand from your letter inviting me to testify here are of special concern to this Subcommittee. I will conclude with a discussion of military capability more broadly, incorporating and emphasizing the other two pillars--force structure and modernization.

FIGURE 1

Overview of Presentation

- o Measuring Military Capability
- o Readiness
- o Sustainability
- o Military Construction
- o Improvements in Military Capabilities

II. MEASURING MILITARY CAPABILITY

"Military capability" is, ultimately, the ability to be successful in the conduct of military operations. The variables that govern success, or lack of it, in such operations are complex and numerous; many of them, particularly those pertaining to human performance, are inherently nonquantifiable. The analytic difficulties we confront in this area have been described both in DoD testimony and in reports by outside organizations such as the GAO.

This does not mean that we have given up on developing sound indices of military readiness and capability. On the contrary, we have continued to make tangible progress in this regard over the past year, and we do not intend to let up.

Last year I described for you our current approach to improving our assessment techniques, which included formation of an OSD/OJCS steering group to oversee this effort. That body, designated the Capabilities Evaluation Steering Group, has completed its first major task, which was to produce the Military Status Report that was sent to Congress in June of last year. In addition to working on several other analytical products, the group is now nearing completion of the second edition of the Military Status Report, which we hope to have available in May. This second edition of the MSR, as we call it, adds some interesting new measures, several of which I will show you later in this testimony. It also extends our evaluation time-frame explicitly to the end of our current FYDP (FY 1992) in most instances.

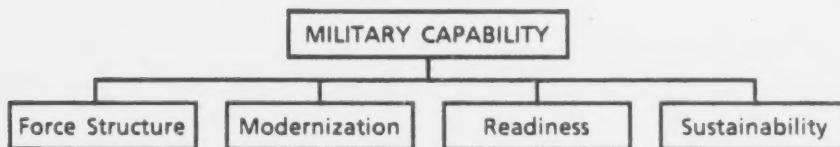
I would now like to proceed with a detailed discussion of our progress in readiness (narrowly defined) and sustainability--consistent with our practice of the past several years--starting with detailed definitions of these terms and the ways that they contribute to overall capability. I will address the contributions of the other two capability "pillars"--force size and modernization--in the context of overall capability.

III. MILITARY CAPABILITY AND ITS COMPONENTS

The four attributes, or "pillars," that together make up our overall military capability are defined as follows:

- o By **force structure**, we mean the number, size, and composition of the units that constitute our defense forces (e.g., divisions, ships, air wings).
- o By **modernization**, we mean the quality of the forces' ships, aircraft, and other equipment--their firepower, maneuverability, survivability, and so forth.
- o By **readiness**, we mean the ability of our forces--as manned, equipped, and trained at a particular time--to perform the missions for which they are designed at the beginning of combat.
- o Lastly, by **sustainability**, we mean the forces' "staying power" during combat, which is often measured in numbers of days.

FIGURE 2

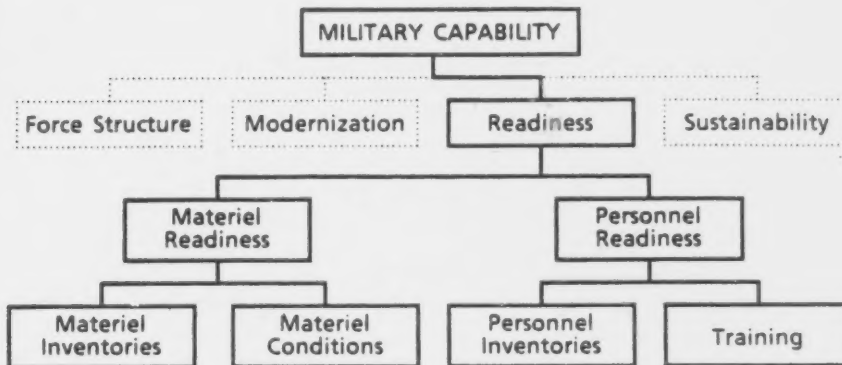


Thus, "readiness," as we define it, is only one "pillar" of the broader concept of military capability. We most often use the term "force readiness" or "readiness" to mean the pre-M-Day status of our forces with respect to their wartime requirements for operationally available materiel and trained manpower; "sustainability" measures the forces' post-M-Day staying power.

Unless one keeps these distinctions in mind, it is easy to confuse the four components of capability. It is also possible to misconstrue their meaning in other ways. For example, our forces might be 100 percent ready --with all their equipment operational and all their personnel trained--and still not have the desired military capability because their equipment may not be effective enough against the threat or the force structure itself may be inadequate. On the other hand, a unit or force may perform adequately in combat--by virtue of having sufficiently modern equipment and adequate sustainability--even though it is less than 100 percent ready.

The two pillars of readiness and sustainability break down further as shown in Figures 3 and 4.

FIGURE 3



Readiness has both materiel and personnel dimensions. These areas are measured in several ways; no single measure is suitable for all occasions.

For materiel readiness, we have established the following subdivisions:

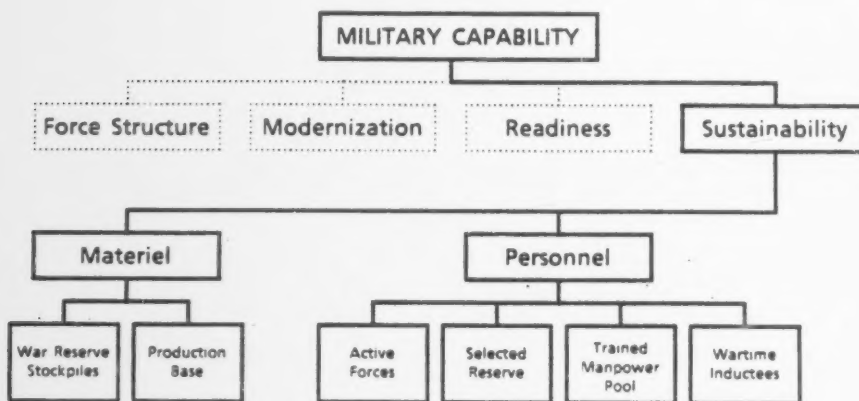
- o Inventories of equipment and supplies on hand.
- o The condition of these items, which is most often measured by the mission capable (MC) rate--the average percentage of time a weapon system or piece of equipment (or a collection of them) is able to perform the function for which it was designed, procured, or modified.

There are two corresponding measurement categories for personnel readiness:

- o Personnel inventories, which are assessed using both quantity and quality measures. For quantity, we look at the relationship between wartime requirements and the actual manning of our forces. Complementing this relationship are quality, or "condition," measures, such as recruiting results, recruit quality, experience, and stability.
- o Collective unit training, which indicates the amount of time units spend in combat-related training. Such measures include training exercises, flying hours, steaming days, and battalion training days.

There are also several critical components of sustainability--the staying power of the force in combat (see Figure 4). To sustain our forces, we must plan in peacetime to replace many of those resources that would be consumed or lost in combat. This post-D-Day materiel must come from either war reserve stockpiles or a mobilized production base. Analogously on the personnel side, there is pre-trained manpower (the Selected Reserve, Individual Ready Reserve, Standby Reserve, and Retired Reserve) and the supply of post-M-Day inducted manpower that would have to be trained after M-Day.

FIGURE 4



The major emphasis of our sustainability program has been on building our war reserve stocks. Since production lead times for consumables (munitions and spares) and major items of equipment are long (two years or more for most items), our investments in the production base have been primarily those needed to produce materiel more efficiently or more economically during peacetime and to give us a surge capability for a crisis.

IV. READINESS

Consistent with the outline in Figure 3, this section reviews the personnel and material readiness components of the "readiness pillar."

Personnel Readiness

There are two major components of personnel readiness: personnel inventories and training.

Personnel Inventories. The readiness of personnel inventories is assessed using both quantitative and qualitative measures. The primary quantitative measure is the relationship between programmed manning and the programmed structure. Programmed manning is the number of billets in the force structure that the Services "plan" (i.e., have provided resources in their budget and/or five-year program) to fill. The programmed structure is the number of billets required for full wartime operations. Our overall goal is to have enough programmed manning to fill at least 90 percent of the programmed structure for each component of each Service. Our more time-critical units are manned at higher rates, some at 100%.

Figure 5 shows the changes in both active and reserve programmed structure and programmed manning in FY 1986 and in the FY 1988/FY 1989 President's Budget.

FIGURE 5

Programmed Structure and Programmed Manning
(000)

	<u>Programmed Structure</u>	<u>Programmed Manning</u>	<u>Percent Manning</u>
FY 1986			
Active	2,023.9	1,872.9	92.5
Reserve	1,136.0	1,076.8	94.8
FY 1987			
Active	2,021.5	1,901.0	94.0
Reserve	1,162.9	1,113.9	95.8
FY 1988			
Active	2,029.6	1,901.0	93.7
Reserve	1,183.9	1,144.9	96.7
FY 1989			
Active	2,039.9	1,915.5	93.9
Reserve	1,204.5	1,166.7	96.7

It is very important that Congress approve the number of personnel we have requested. End-strength constraints, which have been imposed in the past, reduce programmed manning (and percent manning) in the short run, and programmed structure in the long run. In other words, they reduce our force structure and consequently our overall capability.

Once the raw numbers relating to personnel inventories have been assessed, other measures relating to the quality, or "condition," of the personnel inventory are examined. These measures include numbers and quality of recruits, experience, retention, and the stability of the personnel inventory.

In all of these areas, we have experienced successes over the past several years, but additional Congressional support is necessary for our compensation, bonus, and other personnel programs if we are going to sustain present levels of performance. Last year Congress failed to vote the full military pay increase we sought. I wish to emphasize strongly to you the necessity that Congress this year vote the entire 4 percent raise we have requested, with no delay in its implementation.

Figure 6 shows the Active Component recruiting results for FY 1986 and the goals for FY 1987 and 1988. Each Service met its Active Component recruiting goal for FY 1986. We expect to meet our objectives in both FY 1987 and FY 1988 in spite of a more difficult recruiting environment.

FIGURE 6

Enlisted Active Duty Accessions ^{a/}
(Numbers in Thousands)

	Actual		Planned	
	FY 1986 Objective	Percent Achieved	FY 1987 Objective	FY 1988 Objective
Army	135.5	100	133.2	133.3
Navy	94.9	100	92.9	96.0
Marine Corps	36.7	100	35.6	35.6
Air Force	66.4	100	61.7	61.0
Total	336.6	100	323.5	325.9

^{a/} Includes prior service and non-prior service accessions.

Figure 7 presents Reserve Component recruiting data for the same period.

FIGURE 7
Selected Reserve Enlistments a/
(Non-Prior/Prior Service in Thousands)

	Actual		Programmed	
	FY 1980	FY 1986	FY 1987	FY 1988
Army National Guard	50/47	44/38	47/34	50/35
Army Reserve	26/34	34/48	29/52	33/46
Naval Reserve	3/25	9/23	7/27	7/31
Marine Corps Reserve	5/ 4	8/ 5	8/ 5	8/ 5
Air National Guard	7/10	5/ 9	5/ 7	5/10
Air Force Reserve	3/10	3/11	3/11	3/12
Total <u>b/</u>	94/128	104/134	99/136	107/138

a/ All data include Active Guard and Reserves (AGRs), Navy Training and Administration of Reserves (TARs), and Category D Individual Mobilization Augmentees (IMAs). Includes Navy Sea Air Mariner (SAM) recruiting program for FY 1986 and beyond.

b/ Numbers may not add to totals due to rounding.

Not only have we been successful in recruiting the numbers of people we need; we also have been getting the highest-quality men and women since the mid-1970s. We use two statistics to measure recruit quality: numbers of high school graduates and scores on the entrance examination.

Figure 8 shows the educational attainments of active accessions over the last two decades, both with and without conscription. (To provide some perspective here, about 75% of all young men and women earn a high school diploma.)

FIGURE 8

**DISTRIBUTION OF DoD NPS
ACCESSIONS* BY EDUCATIONAL
ATTAINMENT
FY 1964 THRU 1986**

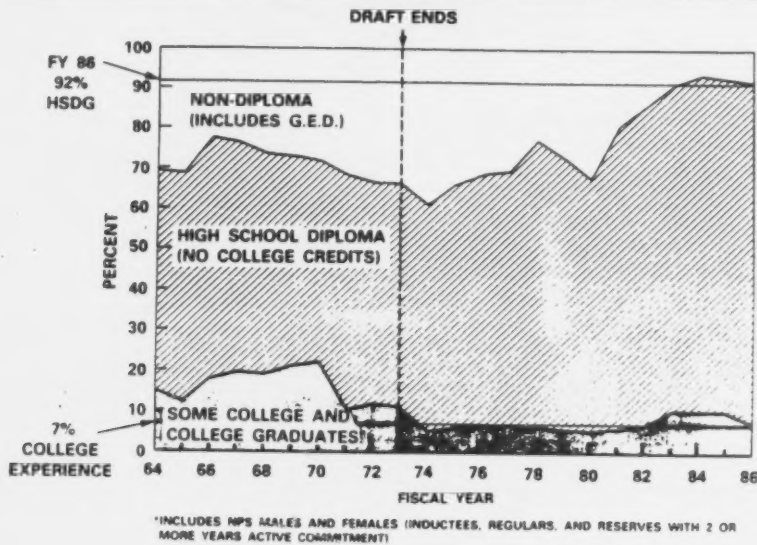


Figure 9 shows the trend in entrance examination scores over the last two decades. By this measure, too, we have been successful in attracting high-quality people. In the general youth population only 69 percent are in AFQT Categories I-III; in FY 1986, 96 percent of our recruits were in these top three categories.

FIGURE 9

DISTRIBUTION OF DoD NPS ACCESSIONS* BY AFQT CATEGORY FY 1964 THRU 1986

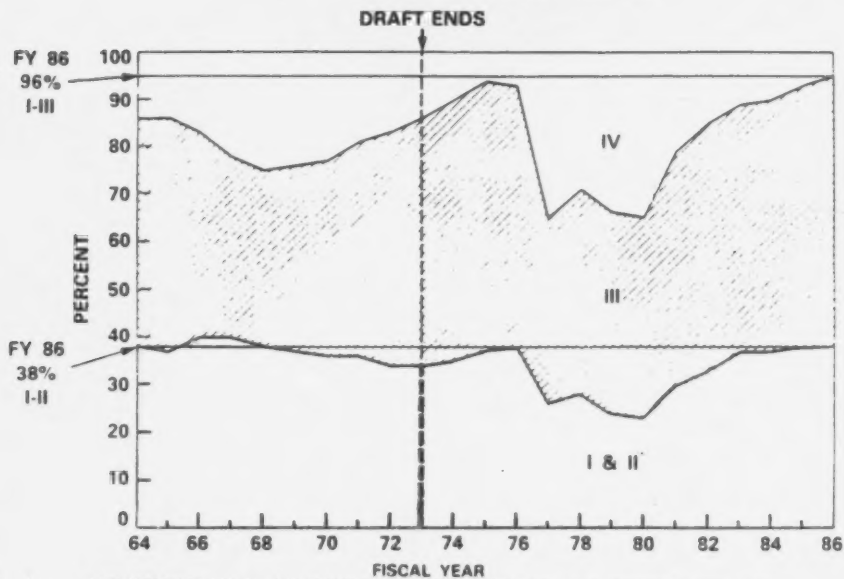


Figure 10 presents comparable data for the Reserve Components for FY 1980 and FY 1986.

FIGURE 10

**Non-Prior Service (NPS) Reserve Enlistments-
High School Graduates and Entrance Test Category**

	FY 1980		FY 1986	
	Number	Percentage of Total NPS Enlistments	Number	Percentage of Total NPS Enlistments
Total NPS Enlistments	93,700		104,500	
(Army Reserve Components)	(76,200)		(78,000)	
High School Graduates ^{a/}	61,300	65	94,900	91
(Army Reserve Components)	(48,600)	64	(69,000)	88
Entrance Test Category				
I-III	68,300	73	95,000	91
(Army Reserve Components)	(53,300)	70	(68,900)	88

^{a/} Includes equivalency certificate and diploma graduates and students currently in high school who are expected to graduate.

Leadership and experience are also important indicators of the quality of our military personnel. More complex weapons systems and missions require a more experienced force. The proportion of the force with more than four years of service has increased significantly since FY 1980. These are the people with the necessary training and experience to operate and maintain the new, more complex weapons systems that are being introduced. The higher experience level of the force is a result of improved retention, which, in turn, has resulted from better compensation and the use of selective reenlistment bonuses. Figure 11 shows experience trends in the Active Component.

FIGURE 11

**Active Component Enlisted Experience
(Percent)**

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>
Enlisted Over Four Years	42	44	46	47	48	49	49

Since most reserve enlisted personnel have seen active service, experience levels in the Reserve Components are also good.

The stability of the personnel inventory contributes to readiness by increasing unit cohesion and effectiveness. The aggregate stability data presented in Figure 12 indicate the percentage of personnel who remain on active duty over a period of a year. This measure captures the net effect of retention and attrition. As the figure shows, aggregate stability has reached good levels. Our goal is to maintain those levels.

FIGURE 12

**Aggregate Stability
(Percent)**

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>
Officer	90.8	92.2	92.6	93.1	92.1	92.2	92.3
Enlisted	80.7	82.3	83.9	83.9	83.8	84.6	84.3

Unit stability is measured by the percentage of personnel who remain in the same unit over a period of a year. Higher unit stability increases unit performance and readiness. Figure 13 presents unit stability data for the Active Component for the period FY 1980 through FY 1986.

FIGURE 13

**Unit Stability
(Percent)**

	<u>FY80</u>	<u>FY81</u>	<u>FY82</u>	<u>FY83</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>
Officer	47.1	49.3	49.7	49.0	46.8	48.7	49.0
Enlisted	42.6	44.1	44.0	45.1	44.6	47.3	48.1

Aggregate stability in the Reserve Components is slightly less than in the Active Component, while unit stability is much higher in the reserves.

Training. Training readiness is developed through rigorous, realistic training for operational units of all sizes--from aircrews and infantry squads to battalions, squadrons, and multi-Service task forces. Units that do not develop into coordinated, effective teams through high-quality training cannot be counted on to perform to their full potential in combat.

Good collective unit training is based, first, on adequate opportunities to train and, second, on the quality of training. Figure 14 shows trends in opportunities to train in the active force.

FIGURE 14

Indicators of Training Opportunities

	<u>FY80</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
Flying Hours Per Crew Per Month							
Army Tactical	N/A	13.5	13.1	13.6	15.5	15.8	15.8
Navy/Marine Tac Air/ASW	24.2	24.9	25.0	25.0	25.0	25.0	25.0
Air Force Tac Air	15.6	19.1	19.0	18.8	19.3	19.5	19.6
Nondeployed Steaming Days Per Ship Per Quarter							
	28.9	28.2	27.4	26.9	29.0	29.0	29.0
Army Tank Mileage	1,000	1,000	850	830	850	850	850

Materiel Readiness

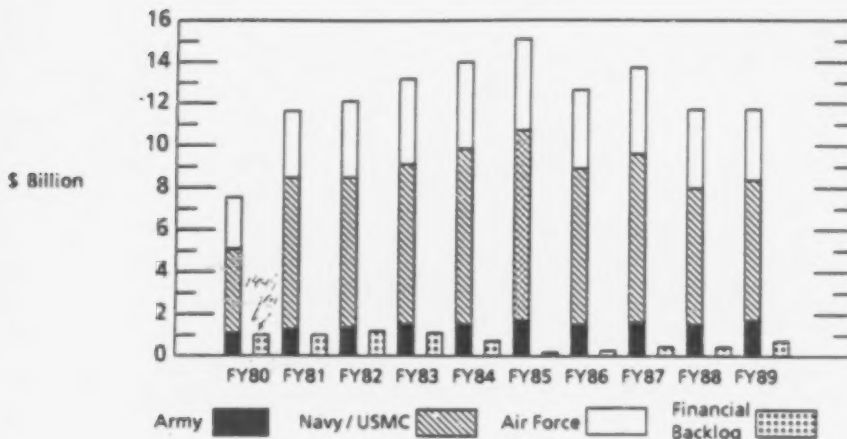
We know that our future materiel readiness depends heavily on our investments today in two key areas--depot maintenance and spares procurement. It also depends on the equipment "fill" of our units and the immediate-availability rates of equipment on hand, which will be treated subsequently.

Both depot maintenance and spares funding have stabilized after substantial increases between FY81 and FY85. The early investments made in these accounts enabled us to reduce maintenance backlogs substantially and fill inventories with required spares and repair parts. Funding requests for these accounts in the future will reflect the need to maintain the levels of readiness and the management reforms that we have worked so hard to achieve.

Depot and Field-Level Maintenance. The overhaul and repair of ships, aircraft, tanks, missiles and other systems is central to the equipment maintenance strategy of each Service. Figure 15 indicates our progress in reducing maintenance backlogs. We intend to keep the financial backlog in FY88/89 at approximately the FY87 level.

FIGURE 15

**Depot Maintenance Funding and Financial Backlogs
(FY 88 \$)**



Decreased funding requirements seen in Figure 15 result from several ongoing programs to improve the efficiency and effectiveness of our depot maintenance operations. The reliability-centered maintenance concept is being used extensively to reduce maintenance costs and requirements. Its impact on the ship maintenance community contributed significantly to improved materiel condition of our fleet. Sharp decreases in numbers of overhauls per year, combined with shorter overhaul downtimes due to intensified maintenance activity, have increased availability of our ships for training or deployment. Moreover some of our new equipment is easier to maintain than the equipment it replaces.

The asset capitalization program continues to provide opportunities to enhance productivity by replacing aging equipment with modern, state-of-the-art industrial plant equipment. Our serial number tracking program, which maintains records on the usage and repair history of specific high-value components, will reduce maintenance and inventory costs. New initiatives to reduce unnecessary removals and improve predictive maintenance will further enhance our maintenance program and reduce future funding requirements.

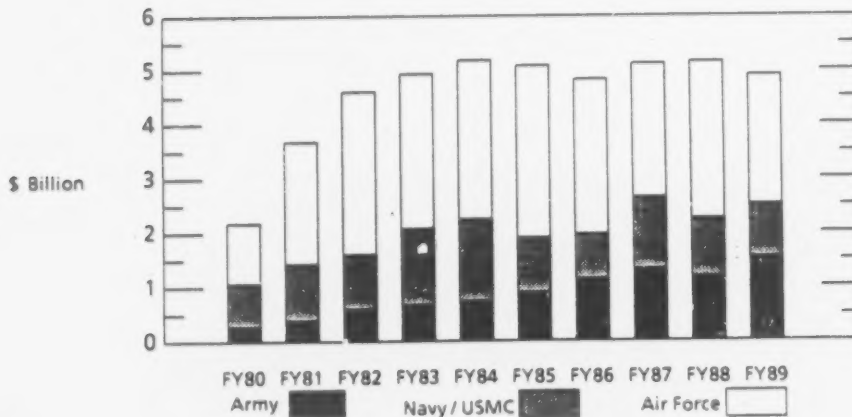
Spares and Repair Parts. The effectiveness of both depot and field-level maintenance programs depends on the availability of spares and repair parts. We require both replenishment spares (to replace those consumed by operational systems) and initial spares (to support new weapons systems entering the inventory). Replenishment spares requirements are driven largely by peacetime activity levels (aircraft flying hours, for example); initial spares requirements are a function of our modernization programs.

The funding increases of earlier years shown in Figure 16 resulted in a substantial buildup of spares inventories, supporting efforts to achieve and maintain a more ready force. We have been able to maintain relatively constant funding for this initiative by targeting areas where specific improvements were needed. Many of these have now been accomplished. We are also taking a second look at overall inventory growth to ensure that spares are not stocked unless needed.

We are continuing our policy of fully funding peacetime replenishment spares. In addition, we have fully funded the requirement for initial spares for each year to ensure that our newest and most effective equipment is fully supported. We are also investing an additional \$15 billion in repair parts and personnel support items purchased through stock funds in FY 1988. With Congressional approval, we will be increasing our stock funded inventories by a total of 1.2 billion in FY 1988 and FY 1989 over FY 1987 levels. By increasing the "corpus" of these funds, we enhance the responsiveness of our supply system to spare parts orders. As a result, the new weapons systems procured through our modernization programs are considerably better supported at delivery than were their predecessors.

FIGURE 16

Peacetime Spares and Repair Parts Funding
(FY88 \$)



Equipment Inventories. With the exception of the Army, our equipment fill of the existing force structure is generally good. The Army problem has been highlighted to the Congress several times in the past. We have not had sufficient fiscal resources to re-equip the Army with modern combat equipment and also provide all the needed support equipment.

I informed you last year that the Army had made substantial progress by eliminating equipment-fill readiness deficiencies in several hundred units. This was accomplished mainly through careful direction of deliveries of equipment coming from procurement or depot overhaul and by re-distribution of equipment within major commands. This was the easy part. To make further progress, new procurement will be initiated. To this end, the Army has instituted a five-year program to procure the equipment needed by its earlier-deploying forces. This year's budget submission included \$118M in FY88 and \$128M in FY89 for this program. These funds have been applied to a large variety of equipment, primarily support items.

Mission Capable Rates. We use mission capable rates as an indicator of the peacetime readiness of our equipment. A piece of equipment is rated "mission capable" if it can perform at least one of its primary missions, and "fully mission capable" if it can perform all of its missions. (However, for single mission weapon systems, such as ground forces equipment, only fully mission capable (FMC) rates are measured.) These rates tend to reflect the cumulative effect of maintenance funding, spares inventories, maintenance personnel training, and a myriad of other factors across all equipment types within each weapon system category.

Goals are set for each type of equipment in each Service. In the late 1970s and early 1980s, the Department was missing these goals, sometimes by large margins. With the increased funding we have been able to apply, MC and FMC rates now meet or exceed stated goals in most areas; where they fall short, the gap is small. The most significant improvements have been in the aviation communities of all Services. Improvements for ground forces equipment are less dramatic because materiel condition performance for these items was much closer to their FMC goals in the early 1980s. We expect improvement trends to level out with MC and FMC rates stabilizing near stated goals. Figure 17 provides details.

FIGURE 17

Mission Capability of Aircraft and Equipment

	<u>FY80</u>	<u>FY82</u>	<u>FY84</u>	<u>FY85</u>	<u>FY86</u>	<u>Goal</u>
Army (FMC)						
Aircraft	66	68	71	74	75	75
Fire Support Artillery	88	90	89	93	92	90
Fire Support Missile Systems	91	96	94	96	96	90
Tanks	86	87	87	87	85	90
Combat/Combat Support Vehicles	88	85	88	89	89	90
Navy (MC)						
Total Aircraft <u>a/</u>	59	63	70	71	74	73
Fighter/Attack Aircraft <u>a/</u>	53	57	63	66	70	70
Air Force (MC)						
Total Aircraft	66	67	71	75	78	75
Fighter/Attack Aircraft	62	66	73	76	77	74
Marine Corps (FMC)						
Artillery	88	86	89	88	84	85
Missile Systems	94	93	92	90	88	85
Tanks	86	88	87	87	86	85
Combat Vehicles	84	82	82	89	81	85

a/ Includes Marine Corps aircraft.

We are very proud of our mission capability accomplishments, and we greatly appreciate the Congressional support we have received in making them possible.

V. SUSTAINABILITY

Consistent with Figure 4, this section reviews the major elements of personnel and materiel sustainability.

Personnel Sustainability

There are four major aspects of personnel sustainability: the size and structure of the active forces, the size and structure of the Selected Reserve, the pre-trained manpower pool supporting both the active forces and the Selected Reserve, and the training base to process volunteers and conscripts in time of war.

The active forces must be sized and structured so as to be able to absorb the initial impact of any conflict, to allow time to mobilize the Reserve Components, and to permit inductions from the civilian population to begin. To accomplish this, it is necessary to have a sufficiently large active force structure supported by the necessary end strength. Constraints on active end strength hamper our ability to achieve such a capability.

The size and structure of the Selected Reserve is the next aspect of personnel sustainability. Selected Reserve units supplement or replace active units once the reserves have been mobilized. The Selected Reserve, like the active forces, provides both trained units and individuals who can be used as needed as a conflict progresses. Wherever possible, peacetime missions are assigned to Selected Reserves within their proven capability to complement the active force and enhance the transition to a wartime status.

The third aspect of personnel sustainability is the pool of pre-trained individuals found primarily in the Individual Ready Reserve (IRR), the Inactive National Guard (ING), and in the military retiree population. This manpower pool could now partially fill the gap between mobilization and the time the first inductees are fully trained. The IRR and ING consist mainly of ex-service members who still have a military obligation. They generally would require some refresher training, because they are not in organized units and do not attend drills. However, because of their prior military service, they can be returned to necessary levels of competence much more quickly than can people with no prior military service. We have recently taken two steps to enhance the IRR/ING pool. The first step was to extend the military obligation from six to eight years. This action expanded the pool, which at the end of FY 1986 stood at about 482,000. By 1990, we expect the IRR/ING to number about 670,000. The second step was to require members to report annually for screening in order to assess their skill levels and physical condition.

Military retirees are yet another source of pre-trained manpower and would also be used extensively in a major conflict. Military retirees can be recalled to active duty by the Secretaries of the Military Departments. We have increased emphasis on the management of physically qualified military retirees whose skills match mobilization needs.

The final aspect of personnel sustainability is the capability to generate quickly the substantial training base necessary to process and train volunteers and conscripts. The Selective Service System is prepared to deliver inductees to the armed forces based on the training base's ability to absorb them. We are currently reviewing our process for determining inductee delivery rates during mobilization so as to ensure that the right numbers and types of people would be available to train inductees.

The programs we have in both the Active and Reserve Components, particularly the recent steps we took with the IRR, have increased our ability to sustain our personnel inventories in time of war.

Materiel Sustainability

Our sustainability objective is to ensure logistical support for our conventional forces from the initiation to the successful termination of any hostility. Our requirements for combat-essential materiel during a conflict will be much larger than normal peacetime consumption. For this reason, we are striving to build up our war reserve stocks to a level sufficient to support our combat forces until the industrial base can mobilize to meet wartime requirements.

Long production lead times and the large requirements (which have grown in response to threat increases) make building stockpiles of war reserve munitions and repair parts a slow, expensive process. The sustainability accounts were allocated some of the largest real funding increases in the early years of this Administration. This funding has paid off in greatly increased stockpiles in absolute terms. We hope that this committee will support our FY 1988 and FY 1989 requests, which are roughly level with FY 1987.

The three primary components of wartime sustainability are stocks of munitions and of secondary items, and the industrial base.

Munitions. We have continued redressing critical deficiencies in munitions sustainability. Funding for the last nine budget years is shown in Figure 18. We have maintained FY 1988 and 1989 munitions funding at approximately the level approved by Congress in FY 1987, with the average for these three years running at about two-and-a-half times the FY 1981 rate.

FIGURE 18

Munitions Sustainability Funding
(FY88 \$)

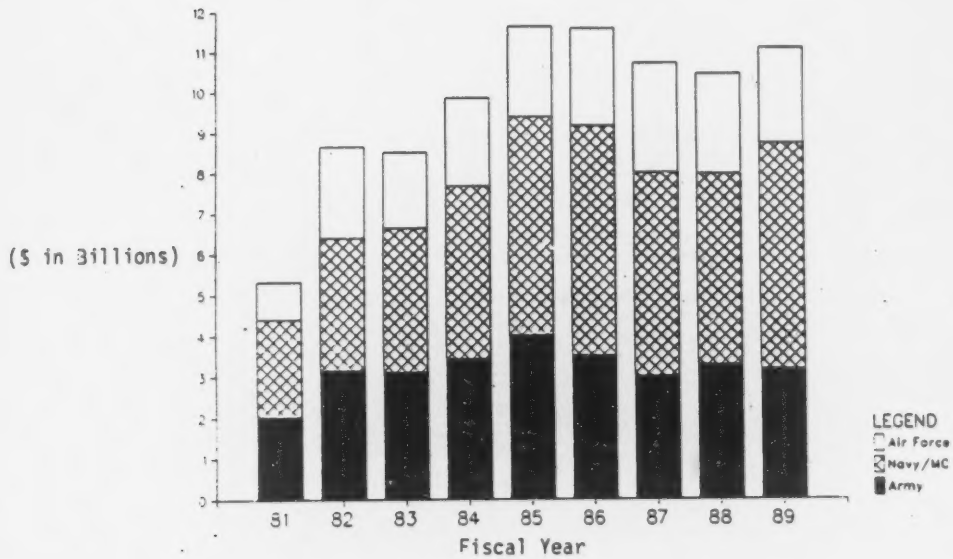
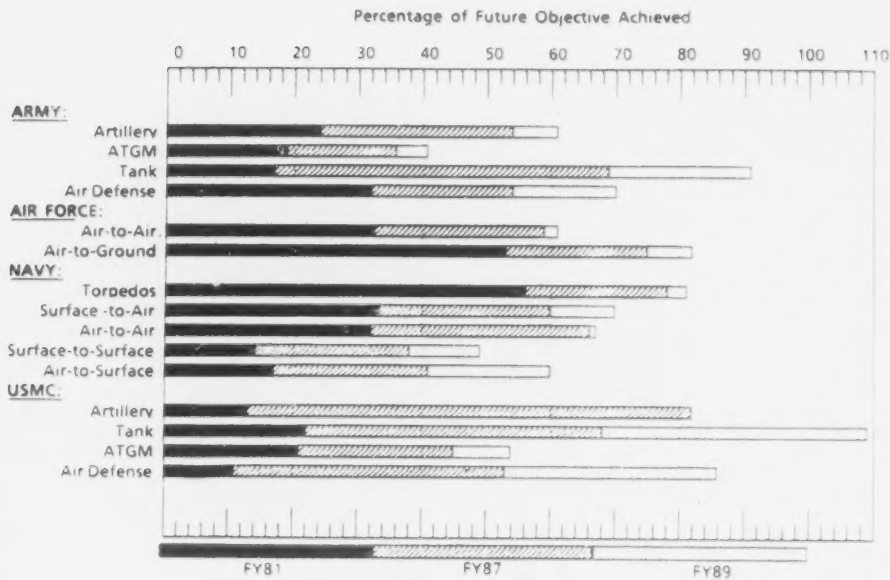


Figure 19 reflects the increase in sustainability--as a percentage of constant future objectives--for major categories of munitions from FY 1981 to the end of the FY 1989 funded delivery period, if the amounts requested in the FY88/89 budget are approved. All of the Services show substantial improvement, with the Navy making the greatest strides. Not only have we greatly increased our stocks, we have also added more effective munitions types.

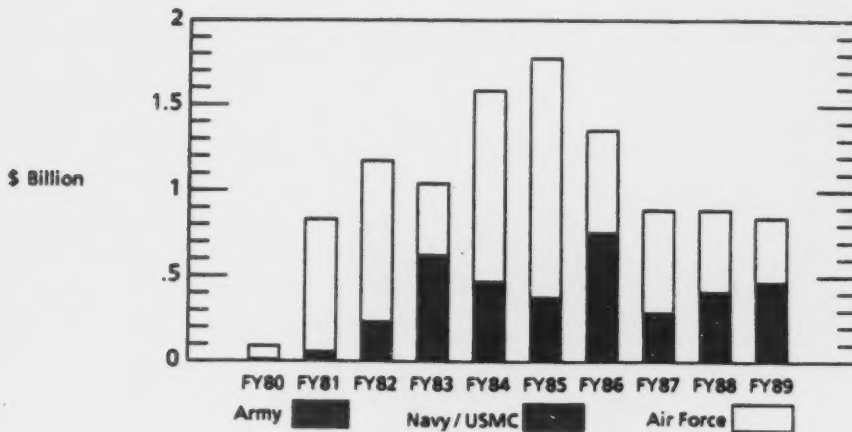
FIGURE 19

Progress in Improving Sustainability in Munitions
(Percentage of Future Objective)



War Reserve Secondary Items. In establishing war reserve requirements for secondary items, we take into account the higher tempos at which our forces would have to operate in a conflict. Funding in this area is displayed in Figure 20.

FIGURE 20
War Reserve Secondary Item Funding
(FY88 \$)



We have concentrated on filling those stockpiles of prepositioned secondary items that would be required first. With the funding proposed in the FY 1988 budget, we will have filled about 50% of the total secondary item inventory objectives, with emphasis on the most critical items. Funding that continues to add to these stockpiles is proposed for FY88 and 89 at approximately the FY87 level.

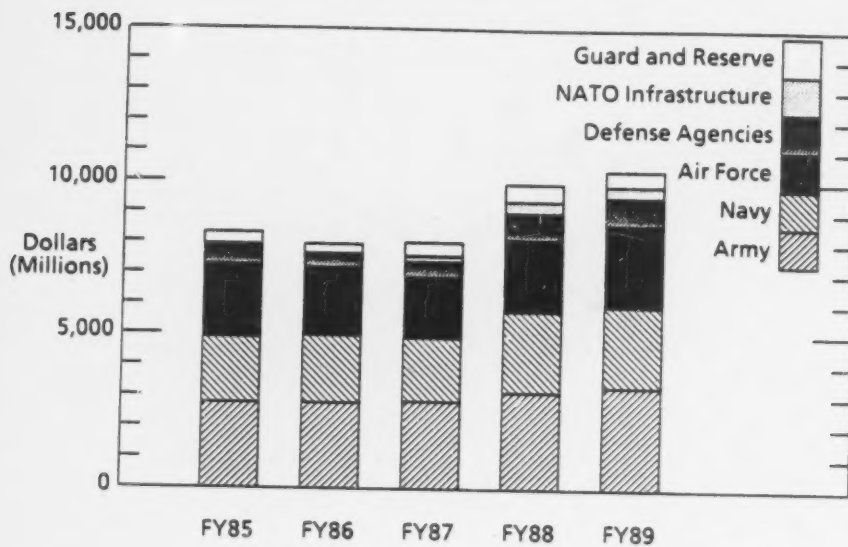
Industrial Base. Another way of adding to our sustainability for conventional conflict is to increase the capacity of our industrial base for "surge" production of the more essential items, particularly munitions. In the past several years our proposals in this area have met with very little Congressional support; in FY 1987, Congress appropriated only \$13 million of our \$91 million request, covering only two of eight projects. In FY 1988 we accordingly have asked for only \$22 million to support surge of the Army's Multiple Launch Rocket System. We hope that Congress will support this request in its entirety.

This concludes my detailed coverage of readiness--as we would define it--and of sustainability. I would now like to describe our Military Construction efforts, in accordance with your request.

VI. MILITARY CONSTRUCTION

Our military construction (MILCON) request for FY 1988-89 maintains the progress we have made since 1981 in redressing the neglect of our facilities caused by inadequate funding in the 1970s. Figure 21 shows the magnitude of our MILCON effort over FY85 through FY89. (The sharp rise in Defense Agency spending in FY88 and FY89 reflects the transfer of Service hospital and medical MILCON projects to the Defense Agencies account to provide more efficient, centralized management.)

FIGURE 21
Military Construction Funding



Of particular importance are programs that modernize our physical plant and improve living and working conditions for our people. We are placing special emphasis on improving our existing family housing facilities and providing critically needed additional units, primarily at overseas locations. The facilities we are seeking represent another key investment in Defense people--an investment that will be repaid in the form

of improved pride, performance, and combat readiness. We invest billions of dollars in weapon systems, but we must remember that people are the most important factor in putting these systems to use.

We are again requesting appropriated funds for community support facilities at our new bases overseas, even though last year the Congress denied funding for such facilities, directing that nonappropriated funds be used instead. Congressional direction, in effect, asks military personnel to pay a significant portion of the costs of support facilities on installations being built at national direction.

Military construction represents only 3 percent of the total Defense budget request, but it is a very important investment with a high payoff. Field commanders often have emphasized the high priority they place on facilities. As General Rogers recently noted: "Combat capabilities of our forward deployed forces are directly related to the quality of the facilities in which those forces work and live." Investments in facilities pay back quickly--not only in higher morale and better readiness, but in increased worker productivity. A modernized aircraft maintenance hangar, for example, could be said to pay for itself in 15 years if each person assigned to the unit increases productivity by only three minutes each day.

Because more emphasis is being placed on the reserve forces, a 21 percent funding increase is scheduled for FY 1988 in major and minor construction programs for the Reserve Components.

DoD facilities worldwide have a replacement value of about \$450 billion. Our goal is to invest at least 2 percent of this total plant value in construction each year, so that existing facilities would be replaced every 50 years. The budget authority we requested last year met that goal. But even though the Congress voiced its support for improved facilities, the FY 1987 appropriation for military construction denied one-fifth of the budget authority requested, reducing the program to a level that is not sufficient to maintain and revitalize our facility plant base. We must get these programs back on track, and our requests for military construction funding of \$10.1 billion in FY 1988 and \$10.6 billion in FY 1989 do just that. They deserve your full support.

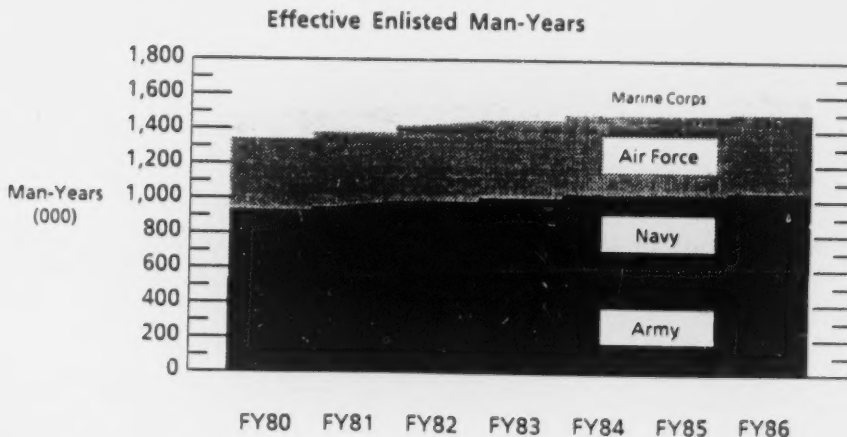
VII. IMPROVEMENTS IN OVERALL MILITARY CAPABILITY

Overall, U.S. military capability has improved steadily since FY 1980. I will address improvements from the perspective of seven major categories, relying on material prepared for the second edition of the Military Status Report that I mentioned at the beginning of my testimony. The first category I will cover is manpower, which as I indicated earlier is an area of significant--but potentially perishable--progress. Our growth in manpower capability is of over-arching interest because it contributes to capabilities across the full range of DoD's warfighting and support functions. Then I will cover progress in six "mission" categories, ranging from strategic nuclear forces at one end of the conflict spectrum to special operations forces at the other end. For these mission capability assessments, our focus is on Fiscal Years 1980, 1987, and 1992; capabilities are shown in relative terms, often "normalized" to a 1980 value of one, and reflect forces and equipment in inventory as of the year shown.

Manpower

For this year's MSR update we have developed a new index of composite manpower capability. It is called "effective enlisted man-years" and reflects a combination of strength increases and improved productivity as denoted by percentages of the first-term and career enlisted force capable of passing a skills qualification test. As shown in Figure below, there has been steady growth in our effective enlisted man-years over the FY80 through FY86 period; this measure has gone up by 12% for DoD as a whole, with individual Service growth ranging from 10.5% for the Air Force to 14.3% for the Navy.

FIGURE 22



Strategic Nuclear Forces

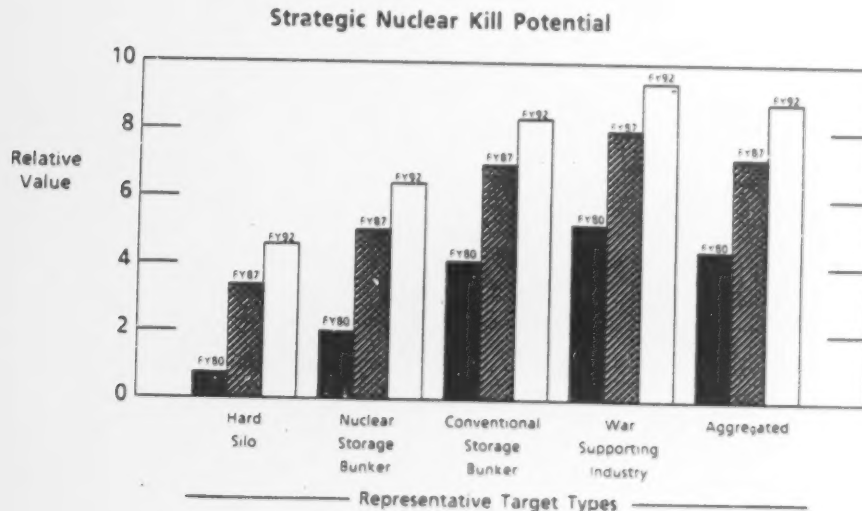
The capability of U.S. strategic forces to hold vital Soviet assets at risk has improved markedly since 1980. Force capability is expected to continue to improve between 1987 and 1992, though at a somewhat slower rate.

Figure 23 presents an aggregate measure of U.S. strategic nuclear kill potential against four representative target types in 1980, 1987, and 1992. The measure incorporates weapon quality, accuracy, yield, reliability, and "deliverability". It combines damage expectancy against the specified target types over all U.S. strategic forces. As the figure shows, our relative improvement is greatest against the most challenging target class, hard ICBM silos. These are the most difficult targets to damage, and before 1980, our ability to attack such targets effectively was negligible.

The bar at the right of the figure attempts to capture, in one measure, the relative improvement in our capability to damage the entire spectrum of enemy targets--targets that range from easily damaged industrial facilities to very hard silos. Between 1980 and 1992, our capability under this measure almost doubles.

The results shown assume that U.S. forces are at their highest alert level and that all alert forces are available. Less favorable scenarios (lower alert level and/or loss of some alert weapons to a preemptive Soviet attack) were also considered. Although total U.S. capability was reduced in these scenarios, relative improvements from 1980 to 1987 and from 1980 to 1992 were remarkably similar, indicating that our force modernization is upgrading capability across the full range of contingencies.

FIGURE 23

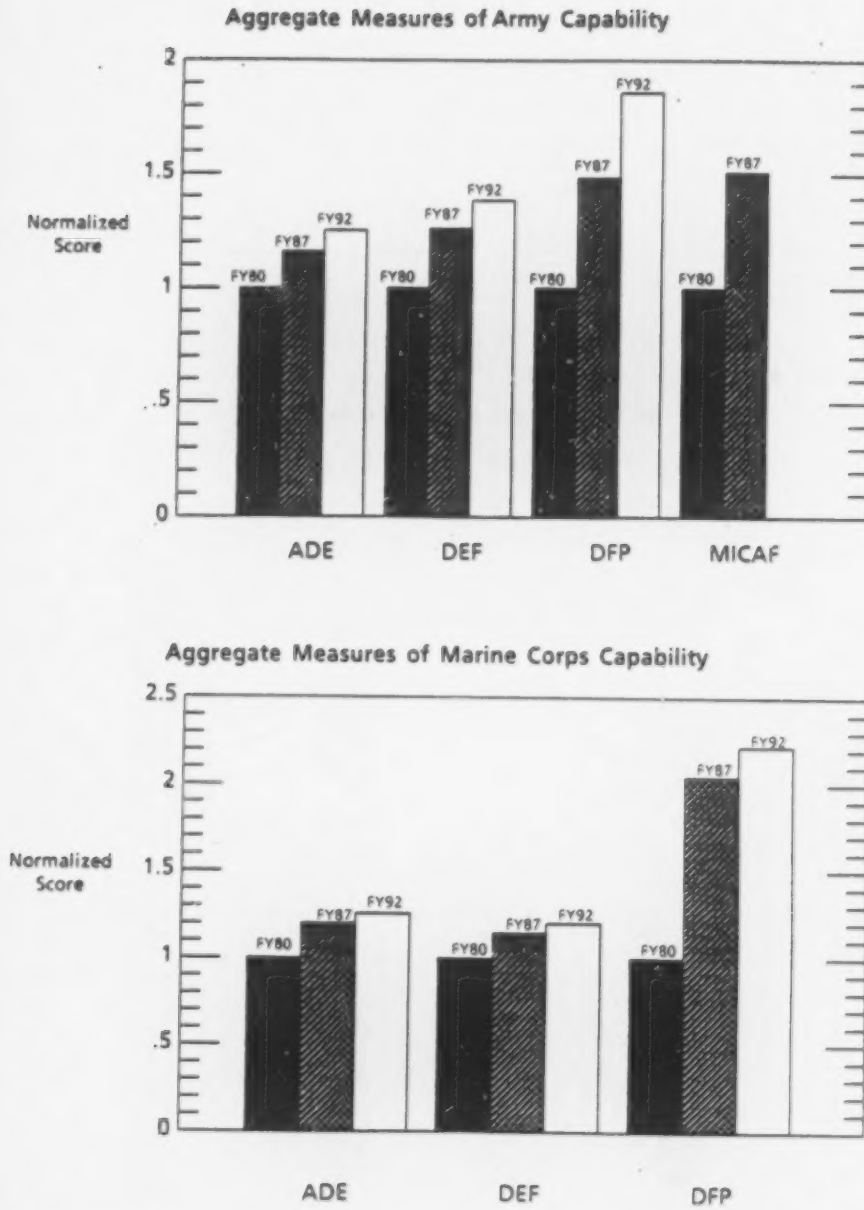


Ground Forces

Programs designed to strengthen the warfighting capability of our ground forces have resulted in an Army and Marine Corps that are more capable than at any time in recent history. The primary method used by the Army to assess changes in its warfighting capability is MICAF--Measuring Improved Capability of Army Forces. This computerized model measures changes in warfighting capability resulting from the fielding of modernized equipment and force structure improvements. Manning, logistic support, and command and control factors are taken into consideration. The MICAF model results shown here are developed from a simulated engagement of Army divisional units against a composite Soviet force of roughly equivalent size, and constant capability over time, in Europe. Results are then extrapolated to the Army as a whole.

Both Army and the Marine Corps force capabilities also can be assessed using "static" measures. Three of the more common of these are the familiar armored-division-equivalent (ADE) measure developed by the Army and the more recent division-equivalent-force (DEF) and designated force potential (DFP) measures. All of these measures reflect a combination of mathematically-calculated and judgmentally-weighted values; they take account primarily of the size and number of ground units and of the quality of their weapons and equipment. The basic technique used here is to multiply equipment inventory of each unit in the force by the appropriate weighting factors, then sum the resulting figures across the entire force and, in the case of the division-equivalency measures, divide by the total score for that type of division. Figure 24 shows growth trends in Army and Marine Corps forces over FY 1980-92 using the three static measures, and MICAF in addition for Army forces through FY87.

FIGURE 24



Tactical Air Forces

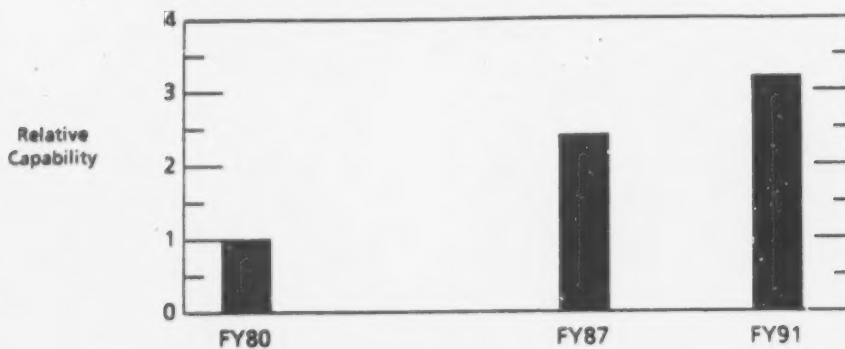
We have experienced major increases over the past seven years in our capability to generate wartime fighter sorties and to load the aircraft flying them with modern munitions. We have also improved aircraft quality significantly. More progress in all of these areas is forecast for the future.

As shown in Figure 25, these changes are contributing to sharp increases in our capability for two of the primary tactical air missions--air-to-air and air-to-ground combat--as measured through the Air Force's tactical air capability indices. These indices in essence reflect the product of aircraft quantities multiplied by factors pertaining inter alia to aircraft quality, survivability, sortie generation, and weapon effectiveness, with respect to constant threats and target sets in the European theater.

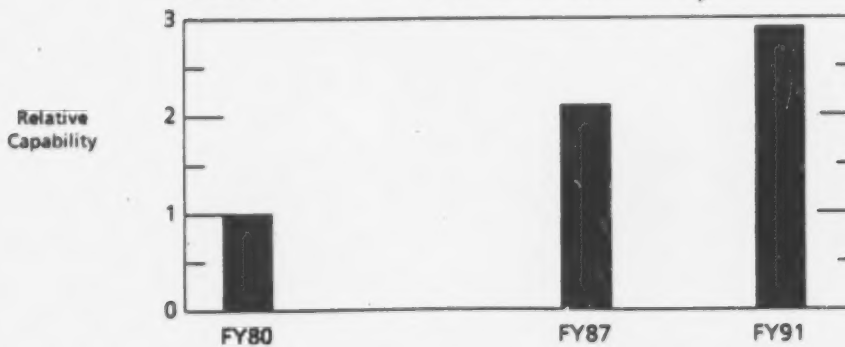
FIGURE 25

Tactical Air Capability Improvements

Relative Air-To-Ground Target Kill Comparisons



Relative Air-To-Air Target Kill Comparisons



Naval Forces

The warfighting capability of our naval forces has improved markedly with increases in the quality and quantity of our ships. We have also developed numerous significantly improved surface and subsurface weapon systems.

The improved target acquisition and tracking capability of new systems like the Aegis cruisers, and of modern systems retrofitted in other combatants, including new, longer-range surface-to-air missiles, have significantly increased the firepower of our antiair warfare forces. Similar improvements have been made in antisubmarine warfare capabilities. The introduction of the high-tech Light Airborne Multipurpose System (LAMPS) MK III helicopter, coupled with multiple-array sonars and improved target-data processing systems, will significantly enhance the ability of our forces to find and destroy enemy submarines. Our new attack submarines, far quieter and outfitted with advanced sonar systems, are rapidly replacing older, less capable units.

Representative improvements in our anti-air and anti-submarine warfare capabilities are depicted in the following graphs. Simultaneous missile-engagement capability of the new AEGIS cruiser (CG-47) versus an older one, and the fraction of our CG inventory comprised of AEGIS ships over FY 1980 through 1992 are shown in Figure 26. Long-range detection capability of our SSN-688 submarines that are equipped with improved combat system suites, versus capabilities of unimproved SSN-688s, are shown in Figure 27, along with growth over FY 1980-92 in the portion of our SSN force that has been upgraded in this manner.

FIGURE 26

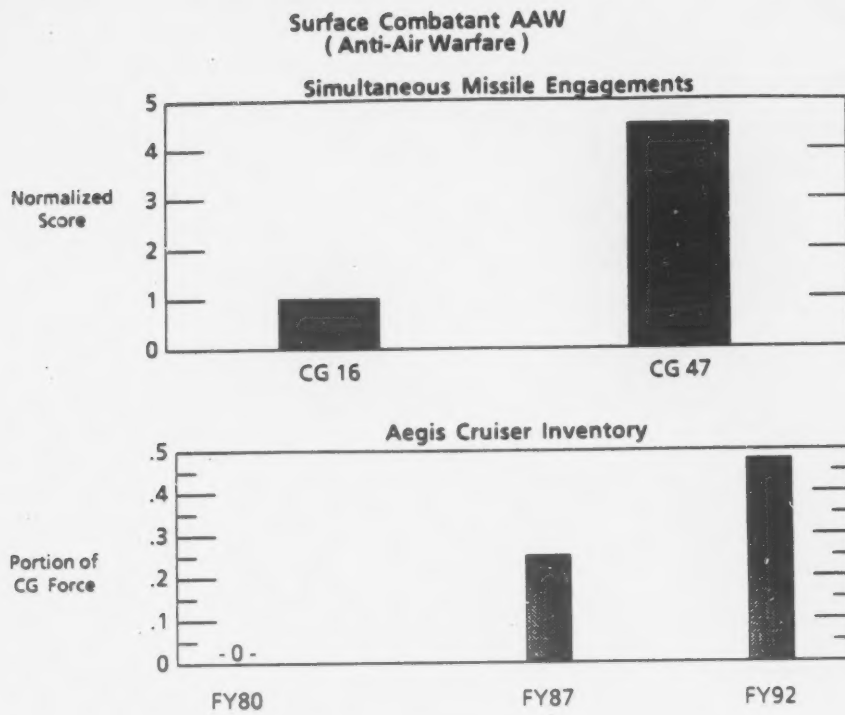
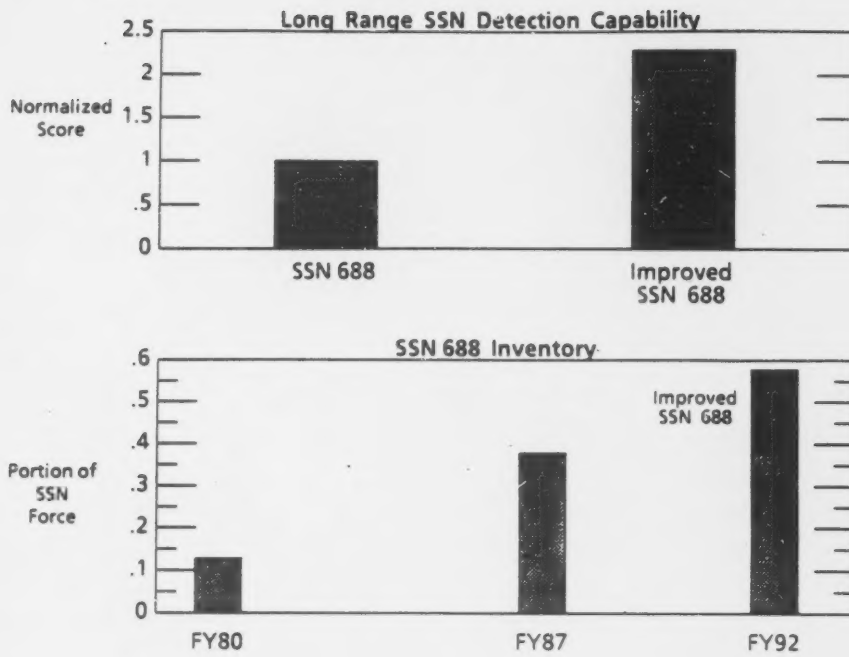


FIGURE 27

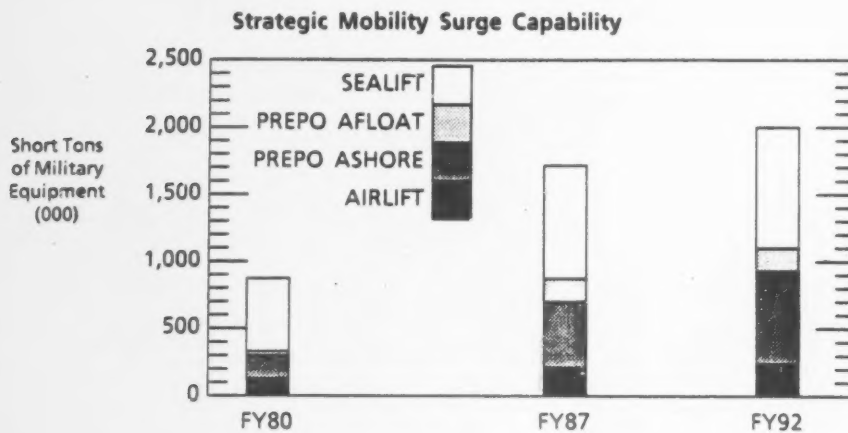
Submarine ASW



Strategic Mobility Forces

Another new measure developed for the MSR's second edition pertains to strategic mobility forces. In this measure we have attempted to aggregate our "surge" capabilities in all three strategic mobility modes: airlift, sealift, and prepositioning. The measure is short-tons of military equipment produced by a combination of 30 days of airlift operations--which both deliver directly and generate pre-positioned unit equipment stocks--coupled with the single-trip capacity of our sealift force. The following figure shows FY 1980-92 growth in this new measure.

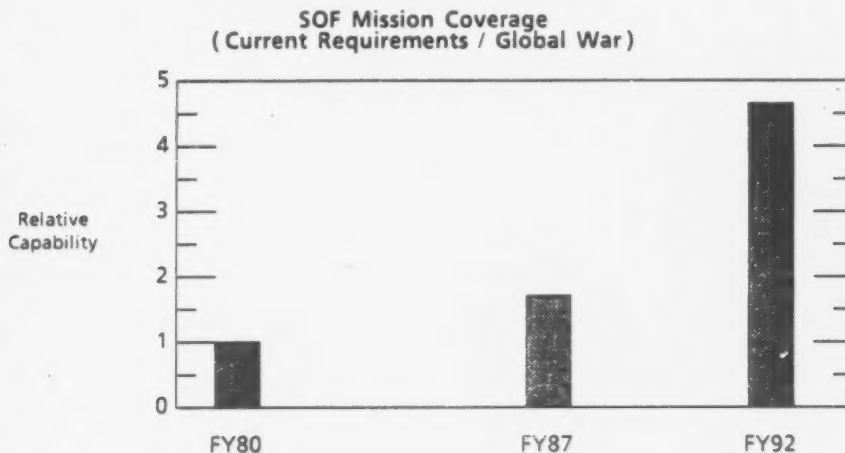
FIGURE 28



Special Operations Forces

The unique capabilities provided by Special Operations Forces (SOF) extend across the entire spectrum of conflict. We have built up here as well, with more improvements included in our current five-year program. SOF capabilities are difficult to quantify with precision, particularly with respect to such missions as engaging in guerrilla warfare during a global conflict, assisting friendly nations in countering internal threats, and conducting counter-terrorist operations. However, we have developed a new composite measure for evaluating aggregate SOF capabilities during a major conventional war. Our method here consists first of summing current CINC requirements for each theater as a function of mission type and expected range. We then apply SOF units and airlift available in each year against the resulting overall mission array to determine degree of coverage with both forces and transport. Figure 29 displays results of this process, aggregated across all theaters, missions, and ranges, with aggregate capabilities normalized to a 1980 value of one.

FIGURE 29



VIII. SUMMARY

Military capability is a complex entity, consisting in the DoD lexicon of the four "pillars" of readiness, sustainability, modernization, and force structure. All four of these basic categories have undergone substantial improvement as a result primarily of increased DoD funding over FY 1981 through 1985. While further progress is forecast into the early 1990s, particularly in the modernization area, it is vital that we not slacken our pace now. As the JCS Military Posture report warns,

"Although new equipment is still coming out of the pipeline, much of (our) gain in military capability could be lost if funding cuts to the DoD budget continue."

Unfortunately, our adversaries have made commensurate and, in some cases, even greater improvements--particularly in the quality of their weaponry. To maintain an acceptable readiness posture, we need to continue investments in spares, depot maintenance, and equipment end-items, and we need to keep up our currently high levels of operational training. Most important, if we don't continue to offer competitive pay and bonuses, we will not be able to attract and retain the fine people we need.

I hope you will support our full FY 1988/89 budget request so that we can sustain the defense buildup that began six years ago and is now starting to provide an acceptable level of national security.

Senator DIXON. Mr. Secretary, I first want to again express the profound appreciation of this subcommittee for your continuing cooperation over the period of time I have had the honor of serving first as ranking, and now as chairman of this subcommittee. The things that you bring to our attention are tremendously beneficial, and I thank you for your usual spirit of cooperation shown here this afternoon.

I think we will begin by letting my distinguished colleague from Arizona ask whatever questions he might have. Senator McCain.

Senator MCCAIN. Thank you very much, Mr. Chairman.

I also appreciate the very important presentation that we have received today. I must say that the record has been very impressive over the last 5 years.

Obviously however, Mr. Secretary, when we get into the fiscal year 1992 bars on your graphs, those are contingent upon a funding level which you are requesting. Is that correct?

Mr. TAFT. Those reflect our 5-year defense program, yes, sir.

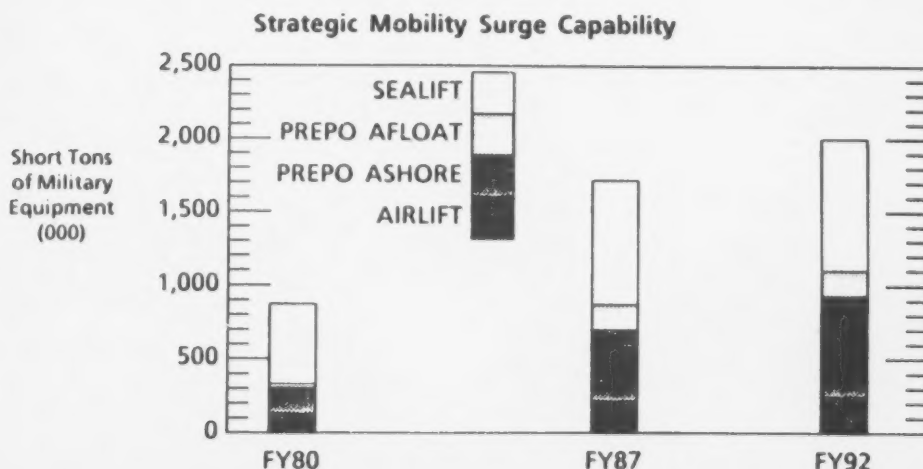
Senator MCCAIN. There is no other way we could predict that except by your budget predictions. There are many here who suggest that there is a strong possibility that you would not receive that level of funding, as needed as it may be.

I am interested in a number of the charts that I saw. If you would, glance at the one on strategic mobility, surge capability, sealift flow to shore, airlift, chart number 14.

Senator DIXON. Perhaps your associate there, Mr. Secretary, from time to time could put up whatever chart is indicated.

Mr. TAFT. Yes sir. May we have the second-to-the-last chart?

CHART 14



Senator MCCAIN. Mr. Secretary, how does that translate into percent of required sealift and airlift capability, necessary for a European conflict? Do you have that kind of important information? In other hearings the chairman has held, there seems to be some wide variance of opinion as to the percentage capability that we have today to fulfill both sealift and airlift commitments.

When the chairman has the CINCs here, we had some really dramatically different numbers. Would you happen to have those figures?

Mr. TAFT. I do not have them with me, but I will be glad to provide them to you. I would say that we did do our study some years ago of the requirement for airlift, and the goal that we identified there was the 66 million ton-miles per day goal. This will in 1992 still be short of that. So on the airlift side, I know we will be short, and I would not be surprised on the sealift side if we have some shortages.

Senator McCAIN. I am concerned, Mr. Secretary, not only about 1992 but 1987.

Mr. TAFT. For 1987, we will get that for you, as well, as to where we actually stand.

[The information follows:]

Mr. TAFT. Our goals are to attain a sixty-six million ton-miles per day (MTM/D) airlift capability and capability to carry a million tons of unit equipment by sealift. In 1980, we were at 50% of the airlift goal and 56% of the sealift goal. Today we have on hand 42 MTM/D of airlift capability (64% of the goal), and 850,000 tons of sealift capability (85% of the goal). By 1992, our program will find 80% of the airlift goal and 90% of the sealift goal.

Senator McCAIN. Thank you. We are still very far behind in our capability of lift those very badly needed men and materiel in a timely fashion by sea and air. In our force projection hearings there was testimony received from some of the uniformed witnesses that they feel that is still a very important area.

In fact, General Rogers this morning mentioned his concerns before the full committee. So I would appreciate information on that.

Mr. TAFT. We are now where we want to be on lift today, and we are not where we want to be on pre-positioning, which is the alternative to lift, today.

Senator McCAIN. And both are very nonsexy items, as we know, and that probably accounts to some degree as to where we are today.

PILOT RETENTION

Could I discuss for a moment with you the problems of pilot retention? Our personnel chiefs that testified before the Manpower Committee, all four services, expressed their concern about pilot retention. It seems that there is particular focus on the Navy because of the long deployments and hardship duties.

Do you have any proposals as to how we can address what is appearing to be a significant exodus of pilots from all four services?

Mr. TAFT. There are of course, as you know perhaps better than I do, Senator McCain, a great many factors that go into an individual decision to reenlist or not. We try to understand what those are, and to meet the critical ones first, and the less critical but possibly decisive ones after that.

Certainly some of them are not really quantifiable, or even budget issues at all. They are the question of general support and pride in the mission, and that type of thing, and I think we have been very fortunate on that, but we have to work on it and be sure that these people know that we appreciate what they are doing,

and that it is important, and it is respected not only by us in the Department but by the public at large.

Pay, benefits, quality of life, all obviously are things that we can do things about here, and we have shown in the 1970s that we can push people out of the service by not providing those things. We have shown in the first half of the 1980s that we can keep them in the service by providing them, and by coming up with decent wages and conditions to work in. That is our highest priority in the Department.

I have talked just as recently as yesterday with the Air Force and the Secretary of the Air Force and I should say that he shared with me the point that you just made; that in TAC they are very apprehensive about their reenlistment rates, and in MAC even more so.

We are examining exactly what the sources of this problem are, and we will address them. We cannot afford not to, and I think the pay level is a key one, and the reenlistment bonuses, but there are a lot of other things that go into it—health care, schools, quality of life.

Senator DIXON. Mr. Secretary, if I may interrupt, I have an important call. When Senator McCain has concluded, I am going to ask Senator Wilson to take up his line of questioning while I go to the telephone, if you will excuse me.

Senator MCCAIN [presiding]. Thank you, Mr. Chairman.

If I could, with the indulgence of my friend from California, if I could just finish up on this line that we have been pursuing?

Senator WILSON. Certainly.

Senator MCCAIN. It could be helpful to this committee, Mr. Secretary, if we could have some specific recommendations, if indeed the case is as we have been told by the Chief of the Military Airlift Command. He told us that it cost him somewhere around \$6 million to train some of his pilots. If we are indeed in danger of losing this extremely valuable asset, I would suggest that it would be helpful if you could formulate some specific proposals so we can address the issue.

I would be glad, and I think so would most of the members of this committee, to tell them how much we love them, but I think some specific bread and butter issues per se would be very helpful here.

For example, I have been told that perhaps one of the areas that we could look at is the AOCP, making it more than a one-time bonus; that when a pilot is returning to sea duty, or deployed in the case of an Air Force pilot, that perhaps we could be able to give them another bonus, rather than as it presently is which I understand is a one-time deal.

Let me also point out that you and the Secretary play a major role in formulating the deployment schedules of our ships and aircraft. For the life of me, I cannot understand why the *Kennedy* was extended I believe 4 to 6 weeks; 4 to 6 weeks to the average civilian does not sound like a long time, but when people are looking at going home after a 6- or 7-month deployment, it is very harmful to morale. I would suggest that time after time when these decisions are made as to changing the deployment schedules of ships and air-

craft carriers in particular, that it is very damaging to morale when those changes are made.

I fully understand there are times when there have to be adjustments made in ship schedules, but finally I would just like to ask you again, I think it is an important and key issue, particularly given the cost of training of pilots today and the difficulty in replacing the experience level no matter how much we are willing to spend on training, and I would appreciate some more specific proposals from you as to how we can address the issue.

With that, I would be glad to hear your response, if you choose to, before yielding to my friend from California.

Mr. TAFT. Well, Senator, I can only say we will work with you. We agree with you that this is a critical area for us. If our analysis demonstrates that a shift in the bonus program is necessary to keep these people in, and we need them, we will be proposing that to you. That has been our record in the past. Whenever we have identified something that needs to be done, whether it is an overall pay increase or a bonus adjustment, or whatever, we are for it.

We recognize the investment we make in these people. It is in the range that you say of \$6 million in many cases, and we need to pay the extra to make sure that they stay with us and give us the return on that investment, and that is the approach we have.

I also should say that in terms of the tours that are made on the aircraft carriers, in particular, and they are a point of special sensitivity, with the pilots as with everybody on that ship, that the pilots tend to have more options in not reenlisting. We are fully aware of the disadvantages in extending tours beyond what is announced, and they form a very prominent feature of our consideration of any such decision, and they weigh heavily with us.

Senator McCAIN. Thank you.

Senator WILSON. Mr. Secretary, this may seem somewhat afield but I do not really think it is. Last year Senator Goldwater and Senator Nunn agreed that there was need to commission a task force to look into problems of defense inventory management, and what that task force which I was privileged to chair found unhappily indicated that in too many instances the phrase "defense inventory management" might be the newest oxymoron.

We have encountered all kinds of problems, as I think you are aware, with respect to the actual accounting in the supply system, the ability to trace and track requests, inadequate receipting—in short, we found that there were terrible problems, and problems of the most basic kind relating to physical security of very sensitive gear.

Now in fairness I recognize that between the services and the Defense Logistics Agency the entire defense system is enormous. There is no parallel in terms of the annual volume that you are dealing with. It is something like 10 times that of the combined inventory of the top Fortune 500 corporations. So it is a gigantic, monumentally ambitious and complex undertaking in all of its decentralization.

I also recognize that the basic purpose is that it exists not to be a model of economic efficiency but rather to provide the best state of readiness possible, and put the supplies that are required into the hands of the men and women who are called upon to use it.

But taking all of that into account, what we found in repeated instances is that there simply was not sufficient command attention given to the problems of management, which is to say the effectiveness of the management system, or to, as I have indicated, even basic physical security. And of course there have been a number of well publicized news stories now of an unfortunate kind having to do with theft of ammunition, theft of weapons.

In short, what we found even on an anecdotal basis is that there is a waste of the taxpayers' money. The occasions that we were able to record indicate a real worsening of readiness in some instances, and in the worst instances there were clearly examples of sensitive and dangerous materials falling into the wrong hands.

What is the Department doing? First, I should ask what priority you are assigning to this problem or what recognition there may be of its relative importance? And what efforts are being made by the Department to focus command attention in a way that will remedy these defects? Because without that kind of really much enhanced command responsibility, I do not see the problems growing better; I see them growing larger.

In fairness, a number of commanders are very good and give this very close attention. But to say that the performance is erratic is to be charitable.

Mr. TAFT. Well, Senator, I should say that the work that your task force did, and indeed some other investigations in this area by the Packard Commission and others, has generated a number of recommendations to us as to things that we need to do from, as you say, the basic types of things such as physical security dealing with problems as simple as theft, to the much more complex inventory management of something of the scale that you have identified that we have in the Defense Logistics Agency, or the Navy Supply Agency, or whatever the case might be.

We have had underway a program in this area to improve our management of spare parts and other items in inventory for some years now. The difficulty of course with such a program when you start to impose it on a system as large as ours is that the first thing you find is not where everything is, but that things are not where you might have thought they were. You go out and you try an identification effort, first of all, to inventory them and put them into an automated system.

In the course of that effort, we have found many things that need to be changed. Indeed, the reason we went out there to look at our inventories was exactly that, was to find out how we needed to do this. We can spend, and we have proposed spending, significant sums in the automation of our systems. Where we have done this, it will be extremely helpful to us in terms of knowing where things are and how many of them we have got, and when to buy more, when not to buy more, and how to allocate them to the force where they are needed most rapidly. But it is, as you say, a massive system that we have here, and the job of automating it and reforming it takes a period more than a week or a month, more than a year. But we have that underway.

I would say that some of the difficulties, not the difficulties of theft and whatnot which really cannot be exaggerated and obviously never condoned, but some of the difficulties that the Air Force

was cited as having in this area by a GAO hearing I think were unfairly exaggerated into a feeling that because they had identified that they needed to put certain things into their system and had not got them in, that they had lost them.

That was not the case. The items were not lost; they simply were not booked. The effort was to book them, and while they were being booked that effort was still ongoing and the GAO seemed to suggest that these items were not in the Air Force any more. They are there. The question is to be sure that we have them properly recorded as to where they are.

But your task force did important work and called to our attention the need for these steps that we have taken. The Packard Commission also mentioned them, and they are underway.

Senator WILSON. Thank you, Mr. Chairman. My time has expired. Let me just say that I think that what the task force has determined and what the Packard Commission in its work has determined is that, while it is impossible to quantify the dimensions of this problem, it is a significant problem and one that requires significant attention in an ongoing way, because basically if there is a single thread that weaves through this through the accounting problems, through the security problems, it is insufficient to command attention to the problem.

There is no other way to deal with that than to simply stay on top of unit commanders at all levels. Unhappily, the other day a story surfaced on the west coast that indicates that even with the attention that was given to a sting operation, at Camp Pendleton there persists problems of a kind that we had thought the Marine Corps was free of.

The solution is that ongoing supervision. So I think from time to time, while you have got to be preoccupied with certain other things, that has to receive an attention that I am not at all convinced it has yet received. I commend it to you. I thank you for your kind comment. I would like to think that we did serve a useful purpose. That was what we were seeking to do. But I think that the problem just as a matter of human nature is an ongoing one, and I do not think that we have really dealt adequately with it yet.

Senator DIXON [presiding]. Thank you, Senator Wilson.

Senator Thurmond.

Senator THURMOND. Thank you very much, Senator.

Mr. Secretary, we are glad to have you with us. I regret that I could not be here for your whole testimony, but I have had several meetings going on at the same time.

DECLINE IN DEFENSE SPENDING

The defense budget has failed to keep pace with inflation in the last 2 fiscal years, which means that defense spending is declining in real terms. What changes will have to be made in our force structure if there is no real growth in the current 5-year defense plan, or if defense spending continues to decline in real terms during this timeframe?

Mr. TAFT. Well, Senator, we have not developed an alternate budget at the lower level. We are proposing of course the 3-percent

real growth in the budget. I would say that that budget does not provide for any increase in active force structure. It contemplates a backing off from some of the objectives we had, for a sliding to the future of some of the objectives we had in force structure in earlier budgets, particularly in the Air Force fighter wing numbers.

But at some point with reductions, one must look at even the most sacrosanct and vital of areas. So it is conceivable that we would get into force structure at reduced levels and have to sacrifice them. We took out this year some 10 percent below the levels that we had projected a year before for the 1988 budget. We did not find that we should reduce much force structure in that exercise.

I do not think that another 3 percent would justify that, either. The Army is the smallest Army personnel-wise we have had in 30 years. I do not think there is an excess of active duty people in it at the moment. The Air Force has not grown substantially. There has been growth in the Navy in the last 5, 6 years, but that was after a period during the 1970s when there was an absolutely extraordinary reduction and the overall force structure of the Navy at the end of this decade will not be back anywhere near where it was at the beginning of the 1970s.

So I do not think that force growth, or force structure is the area that we should be looking at. As I say, we did look at it. We forewent some growth that we might have planned, but reductions do not seem to us to be a wise course to go.

SUSTAINING COMBAT READINESS

Senator THURMOND. Mr. Secretary, during the recent hearing before this Subcommittee on Readiness, Sustainability and Support we learned that a surprising percentage of Active and Reserve component Army Combat Support and Combat Service Support Units were not combat ready. How does this affect our ability to sustain combat operations in the various theaters, and what does it say about the wisdom of creating light divisions within a frozen Army end strength?

Mr. TAFT. The question has two parts. One is on the question of the combat support and combat service support components. Those are not at the level that we would like them to be, but we have proposals, and we have over recent years been increasing their capabilities.

I mentioned in my statement about the need to focus our spending on those elements of the force that are early in the battle and needed first, and these units benefit from that policy. The light divisions that we introduced into the force 2 years ago represent a concept and program that I think we have gotten well underway. The contributions that these divisions can make within the fixed end strength to our overall combat capability, in combination with the heavier divisions and the airborne forces that we have, is significant.

Within the fixed end strength, I think it is reasonable to say that it would not be possible to have the number of divisions that we do if we had not gone to this light infantry division concept. They are smaller and can be equipped less expensively. They do, however,

play I think a very good role complementing the heavier divisions in particular areas where they are adequate to the task.

We have looked at different scenarios in Southwest Asia and in Europe, and in the Pacific, and the roles that will be played by these light divisions are very considerable, and they are fully adequate for these roles. If you have a job that can be done by the light division, if you do not need a heavy division to do it, it is better to go the light way.

CONVENTIONAL FORCES AT CROSSROADS

Senator THURMOND. Mr. Secretary, the Georgetown Center for Strategic and International Studies recently published a piece titled "U.S. Conventional Forces at a Crossroads." Would you review this document and provide us an analysis of the various options suggested for force alternatives?

Mr. TAFT. We will be glad to do that. I have not done that myself at this point, but we will do that for you, sir.

[The information follows:]

Mr. TAFT. We reviewed the Georgetown Center's Conventional Forces study at the time of its initial publication and have done so again in response to your request. Our analysis of the force structure options it presents is that they are not preferable to our proposed force structure at the funding level we have requested in the President's Budget. We have trimmed our forces, and our projected force growth, modestly in response to budget cuts of the past 2 years. For example, our fiscal year 1990 tactical air forces will be roughly two wings short of the level projected in the January 1985 FYDP; we have also taken out an air defense squadron, a squadron of conventionally-oriented B-52s, and made other small changes to our future forces. If Congress approves the full DOD funding request in the President's Budget, we should be able to avoid the major force cuts (or restructuring) posited in the Georgetown Center's study without risking the "hollowing out" of our capabilities that the study correctly warns against.

Senator THURMOND. Thank you.

Thank you, Mr. Chairman. That is all. Thank you, very much.

Senator DIXON. I thank you, Senator Thurmond.

We would appreciate it if you could, Mr. Secretary, make that available to staff on this subcommittee, as well.

Mr. TAFT. Certainly.

Senator DIXON. And we thank you, Senator.

Senator THURMOND. Thank you.

EUROPEAN COMMAND SUSTAINABILITY

Senator DIXON. Mr. Secretary, this morning General Rogers had some rather alarming testimony on the European Command Sustainability in his statement before the full committee. He said that for the European Command, and I quote:

The following key items are at stockage levels below five days of supply, or 30 percent of that required to counter specific threat targets: modern artillery munitions, five-ton trucks, drivetrain components for wheeled vehicles and M1 tanks, air-to-air missiles, air-launched Harpoon air-to-ship missiles, Harm/Strike anti-radiation missiles, and anti-runway DACC/DURENDAL munitions. These shortfalls are so significant that efforts to conduct a prolonged conventional defense of Europe as currently envisioned by our national strategy could prove impractical.

Do you know, first of all, Mr. Secretary, whether we have other items that we could substitute for these key items which are in such short supply in time of national emergency? That is question one.

And are you able to tell us what progress will be made in addressing these shortfalls in the fiscal years 1988 and 1989 defense budget currently before the Congress? That is question two.

Mr. TAFT. Well, Mr. Chairman, I was not familiar with General Rogers' statement, and I have been trying to follow the items that you mentioned. Almost all of them I think are funded in the fiscal years 1988 and 1989 budgets. We are requesting funds for those particular items.

Senator DIXON. May I interrupt to say that I will make available to you through staff this direct quote of the General's. Would you be kind enough to respond in specificity to the named items there, some of which are quite ordinary, well-known types of parts of our hardware and equipment that I am surprised to have him suggest are in such short supply that we do not have a 5-day supply. Five-ton trucks?

Mr. TAFT. We have in the budget requests, I suspect, for each of these things, and will provide you exactly where those line items are, and how far they will go to remedy General Rogers' distress.

Senator DIXON. We will supply your office, Mr. Secretary, with the quote.

[The information follows:]

KEY USEUCOM SHORT SUPPLY ITEMS

The following were identified by USEUCOM as the specific key short supply items to which General Rogers was referring. Columns A and B identify the key items and the Service. Column C is the current Service-provided stock status. The fiscal year 1988 and fiscal year 1989 budget request for all requirements is shown in column D and the anticipated USEUCOM stock status at the end of fiscal year 1989 Funded Delivery Period (FDP) is in column E. Column F is the Service-identified substitute for the key item.

[Deleted.]

STRATEGIC DEFENSE INITIATIVE

Senator DIXON. Now I do not mean to be argumentative with you, and I hope you do not take this question in that vein, and I do not mean this of you personally, but how do you account for the fact that in making the reductions from last year's fiscal year 1988 projection in the fiscal year 1987 budget to this year's fiscal year 1988 budget request, programs like the Strategic Defense Initiative and Navy homeporting were left untouched, while programs like spare parts and ammunition were cut significantly?

Mr. TAFT. Let me speak first to the two items that you mentioned. The Strategic Defense Initiative is of course as you know a very high priority of this administration, for very good reason. To say that it was "untouched" in the administration's request in its fiscal year 1988 budget as compared to what we said we would ask in its fiscal year 1987 budget is only half the story.

It was touched by the Congress very substantially in the 1987 budget. While it is true that the 1988 budget that we requested is not below what we said we would request before, that is not to say that that program has not been slowed. The reduction that was taken by the Congress in 1987 was a very substantial one, and has slowed that program. We do not feel that it should be slowed any more.

On the other hand, it would not be right to say that it has not been adjusted from the program that was presented to you a year ago because we have not asked for any funds to make up the reduction that you imposed last year. We have held it at the 1988 level. The fund for the 2 years is substantially less. So there has been an absorption there of the pain, if you will.

HOMEPORTING

On the Navy homeporting issue, I would say that we thought that we had gone through that in excruciating detail last year with the Congress. The Congress reached, after very extensive debate, its position on it. Commitments were made by the local communities to come up with funds that were part of that understanding, and I think to have upset that arrangement which the Congress reached with itself and with us, and with the local communities, would have been extremely disruptive and opened a whole new layer.

So those two programs, that is the response on those.

The reasons why in the munitions accounts and the other readiness accounts, the spares and whatnot, were adjusted reflect the reductions that were made in the overall top line, as you say. In each individual area there would be an explanation to some of them, and in the depot maintenance area for example some of them are simply financial, where we do indeed have a financial backlog there of some \$500 million, in 1988, not up from where it was left in 1987, but in a \$12 billion program it seemed to us that this was an area that should share in the fiscal problem that had been presented to us.

SPARES

In spares, we have reductions, some for financial reasons, but mostly for either operational reasons that the peacetime operating stocks can in fact be bought for less. As I mentioned in my testimony, we are buying—

Senator DIXON. Well, I am interested, if I may interrupt—

Mr. TAFT. Yes, sir.

Senator DIXON. That does interest me. Particularly the Navy folks have argued very vociferously before this subcommittee that we are not to be too concerned about those charts.

Mr. TAFT. Which charts are these? My charts?

Senator DIXON. No, no, no. Not about those. The charts that show the problem with the spares we are told need not concern us because they are simply buying cheaper. I would really like to believe that that is so. I believe, if I can extrapolate on what the record showed, it was something like 22 percent. I would like to believe we are buying 22 percent cheaper.

Is there any body of evidence to support those statements that are being made to us? And if there is, could we get some for the record? I think the country would be delighted to know that that is really the case.

Mr. TAFT. Well, it is the case, Mr. Chairman, and I am delighted to be able to say it. It is not only that we might be buying—although there are cases of this—that we might be buying a particu-

lar item cheaper, it is that the major item into which the spares goes has demonstrated by experience that that spares lasts longer than we thought it would, and therefore we need fewer of them. In other words, it is a better quality item than we had planned in putting together our 1988 column of the 1987 budget, and you can get savings that way, not because the price has gone down but because you buy fewer of them.

Senator DIXON. Yes.

Mr. TAFT. So the overall total that you need to buy would go down. And that has indeed happened in both ways, price reductions through price competition, through all of the initiatives that we have had underway, smart buying, economic ordering in quantities, things of that sort, and the better parts that we are getting.

Senator DIXON. If I could just interrupt to make kind of a—

Mr. TAFT. We will get you information, which I think is what you wanted.

[The information follows:]

LOWER PRICES FOR SPARE PARTS

Over the past three years, the Department has achieved significant improvements in the cost and quality of spare parts. Fiscal year 1986 spare parts initiatives produced documented net savings of \$1.6 billion. These savings are in addition to the \$1.2 billion and \$1.3 billion recorded specifically for fiscal years 1984 and 1985. Recent savings represent not only a maturing of the initiatives started approximately three years ago, but also reflect continuing strong management attention to procurement reform in general and spares acquisition and management in particular. Most of the original spares initiatives and procurement reform laws have been implemented and are now a permanent part of the way the Department conducts its business.

The primary focus of the spares initiatives has continued to be on increasing competition. The Department achieved a 57.2 percent overall competition rate based on procurement dollars and an 81.9 percent rate based on procurement actions for fiscal year 1986. These rates are up from fiscal year 1983 rates of 39.8 percent and 55.2 percent respectively.

Last year, the breakout program saved \$421 million. Through this initiative, parts previously procured from a prime contractor are screened to determine if they can be procured from either an actual manufacturer or through competition. In fiscal year 1986, approximately 310,000 items were screened, 62,000 were coded for procurement from the actual manufacturer and another 61,000 for procurement through competition.

The Department has also continued to work at removing impediments to competition and promoting increased participation in the DOD vendor base. Technical data issues continued to receive major emphasis, including the updating of our technical data repositories with state-of-the-art optical disk technology. Our buying activities continue to sponsor activities such as competition fairs, visits to potential vendors, and competition catalogs to encourage more companies to compete for DOD business.

Value engineering initiatives which review not only the cost but the quality of spare parts have saved nearly \$297 million in fiscal year 1986.

Modern technology offers unparalleled opportunities for improved productivity. The Defense Logistics Agency's Paperless Ordering Placement System, is an adaptation of electronic ordering systems currently used in the private sector.

Although the above-mentioned actions have allowed the Department to acquire spares at lower unit prices over the past few years, much work remains to be done. We are embarking on an orderly process to consolidate our gains and map out appropriate directions for the future. The Department is developing a Phase II spares management improvement program which will be structured around improving the front-end phase of the weapon system acquisition process, refining procurement procedures, enhancing workforce effectiveness, and measuring and reporting the results of our efforts. In addition, we are pursuing a separate but related project to reduce procurement and production leadtimes to improve efficiency and reduce the costs of managing the inventory. In short, these new Department initiatives should

continue to allow us not only to obtain spares less expensively but also improve the quality and availability of parts to our soldiers, sailors and airmen who need them to maintain the readiness of their equipment.

Senator DIXON. To make kind of a generic statement about the whole quality of the testimony here over a period of time culminating in your fine testimony today.

I think it is the sense of the subcommittee that it has generally showed that in spare parts, ammunition, depot maintenance, and real property maintenance—I think those are the things I want to refer to; correct me if I am excluding anything—but from 1980 to now there has been this beautiful climb in percentages of availability, sustainability, readiness, in all of those areas, and that now for the out years in the next 5 or so, we see a rapid decline to where we end up, believe it or not, in I think about 1991 like we were in about 1982 or 1983 or something like that.

Now that is an oversimplification of the thing, and I am wondering. Our committee's subcommittee chairmen will meet tonight to talk to the chairman as we prepare for the markup. What do I say to them about this? What is the message in that? Is there a message? Am I unduly concerned?

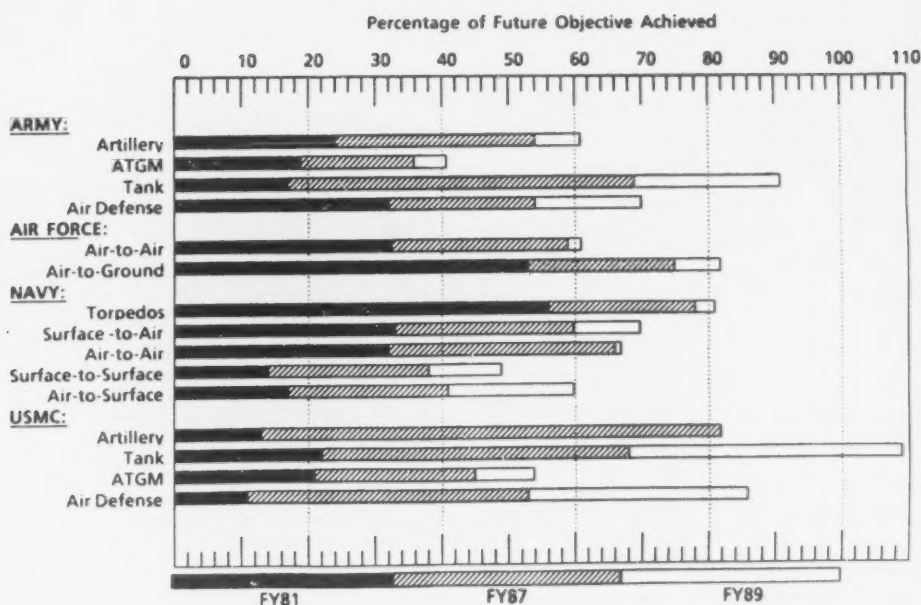
Mr. TAFT. I understand that you have had some charts presented to you to show the trend that you had. I am not prepared to identify in each instance what was behind those charts, because I asked about them and it was very difficult to explain to me what that was.

I think that the charts that I have presented will show to you a steady progress in munitions, sustainability—I had that chart——

Senator DIXON. In the out years as well, Mr. Secretary?

Mr. TAFT. This is out years, yes, sir. This is in sustainability of munitions. I do not know which chart it is. It looks like it is about No. 7, 6 or 7. Chart 6 will show you the out years through fiscal year 1989.

Chart 6

Progress In Improving
Sustainability In Munitions

This is the budget before you, the 2-year budget before you. Do you have that one there?

The white part of the bar shows you the progress that we will make with the budgets before you.

Senator DIXON. Now if I could interrupt, let us take that chart. I would like to discuss the chart on munitions sustainability.

Mr. TAFT. That is the one.

Senator DIXON. Yes. This chart shows progress in improving sustainability of munitions, but it does not differentiate between level of effort, dumb munitions, and more capable threat-oriented munitions. For example, how would the line for Air Force air-to-ground munitions look if it was divided between level-of-effort bombs and threat-oriented munitions like Mavericks, and GBU-15s?

Mr. TAFT. I do not think I have that for you, Mr. Chairman. I would say on the question of smart munitions in general, we are aware of the subcommittee's support for these, and I hope the subcommittee is aware of my support for them.

Senator DIXON. Of course we are.

Mr. TAFT. We have been increasing the proportion of our—I wish I could get these figures for you—of our munitions budgets in the—

Senator DIXON. Well, I do not expect you to have every figure at your fingertips, Mr. Secretary, but could I give you a written question based on this?

Mr. TAFT. Certainly.

Senator DIXON. Which I would appreciate a response to.

[The information follows:]

IMPROVEMENT IN AIR FORCE MUNITIONS

PERCENT REQUIREMENT FILLED, END-FUNDED DELIVERY PERIOD ASSETS

	Fiscal year—		
	1981	1987	1989

[Deleted.]

Requirements for all the above items are computed on a level-of-effort basis.

Senator DIXON. Let me ask you one other thing, generically.

Mr. TAFT. The sense is, Mr. Chairman, that we went from about 55-56 percent up to 60 percent in smart. But we also have in each individual case—and we just need to look at these one by one, because you will find that one smart munition is ready to be procured at a breakneck speed, and let us go out and do that. Another one, these are complicated systems. They have problems. For example, the AMRAAM is a good, smart munition.

We had to slow it down 2 years ago because it had a problem. That is something you need to do, and you want to do, and spend the money somewhere else that year and go back in and put it in when it is ready. So each item is a separate story. I hope we can work with the subcommittee to see that we fund each one of those at the maximum rate. We favor that.

Senator DIXON. I might make one other observation at the tail end of all the hearings that I find interesting, and I wonder whether your experience has been similar. I think my general experience after all these hearings and what I have heard in the Armed Services Committee and everywhere else is the CINCs complain a lot about a shortfall and everything, and the logistics folks say everything is super.

Now I may be talking about extremes in the two cases, but I think that is a fair evaluation of the result of all of the hearings. What would you say to that?

Mr. TAFT. Well, Mr. Chairman, I would say that logically speaking the logistics man must have put it in the pipeline and the CINC has not yet received it.

Senator DIXON. Has not gotten it yet. [Laughter.]

Mr. TAFT. And there is a little bit more to that than we may think, because these systems do have 2, 3-year waiting periods from when you buy them and when the CINC sees them. The CINC is presently receiving the good stuff that we bought in 1984 and 1985. When he begins not to receive the stuff that we did not buy in 1986 and 1987, then you will really hear from him.

Senator DIXON. Let me ask you a few more questions. I am not going to keep you an unduly long period of time, Mr. Secretary. I appreciate your cooperation.

NOT COMBAT READY

But returning again to the CINCs, they talked about their concern about the low readiness of ground combat support and combat service support units. I mentioned that in my opening remarks, if you recall.

According to the most recent report of the Reserve Forces Policy Board, more than half, 55 percent, of the units in the Army Reserve were rated "not combat ready" last year. How serious a problem do you perceive this to be?

Mr. TAFT. This is a problem. As is always the case, there are various criteria on which a unit may be judged not combat ready. One needs to look at that and address it. We have a program which was designed to reduce that number where it was an affordable approach. Some of them are not combat ready because the numbers are not there of people or equipment. Some of them simply because of training, whatever the case might be.

You can remedy some of the problems easily; some of them take a longer time. I will say that the question of combat support/ combat service support and the ratio and the amounts that are needed in connection with the forces in EUCOM is a matter as to which the Army and EUCOM have been having a dispute over the last couple of years. I have directed that a study be undertaken of that which will be available to me probably in the spring, and I will be glad to share the results of that with the committee, because I think it will be useful.

You have heard I know from General Rogers and his representatives, and they have a different view, I am just frank to say, of what is required in those units from what the Army staff feels. So I told them to get together and to bring the issues up, if they cannot resolve them, to OSD for review, and this committee would certainly want to take a role in that.

HAZARDOUS MATERIAL

Senator DIXON. There are some things that stand out as you have these hearings, some statements that are made from time to time. Let me give you one that concerns me. We had a rather alarming piece of testimony from the Joint Logistics Commander last week on the subject of storage of hazardous material and hazardous waste when one witness said, and I quote, "I believe we have a disaster waiting to happen in the area of proper, safe storage of hazardous material and hazardous waste."

What do you know about that? Have you the concern of that particular witness?

Mr. TAFT. Yes, I do. We have been not different from I think society at large in the military over a very long period of time—and this goes back half a century. We have been disposing of things in ways that seemed quite proper in 1945, or the right thing to do, and that I think modern science and investigations have been discovering that that is not a very good thing to be doing with these substances, and that they are causing contamination and environmental damage, and in many instances extremely dangerous hazards to life.

Senator DIXON. Do you believe this is receiving the attention it should be?

Mr. TAFT. We take it on. We have a very large program which we do in combination with the EPA to identify those of highest priority. And like the rest of the country, we have more to do in this area than we can afford to do immediately. So we identify the

really dangerous ones, and with the help of the EPA go out and try to deal with those first and take some of the others that seem to be less acute, but not withstanding that, dangerous, and deal with them over a longer period of time.

But certainly on the order of billions of dollars has been put into this program over the period I have been in the Department, and it is going to cost a great deal more. It is just as for society at large. We want to be good neighbors to our people. We know that that is important. But we did not know, as many industrial facilities did not know, that this was not a very sensible way to be disposing of some of these things, and we have got to clean that up.

Senator DIXON. I thank you for your response.

TURBULENCE AND INSTABILITY

Now I do not want you to think I am argumentative again when I ask this question, but if you would look at page 12 of your, I believe this is your complete statement, Mr. Secretary, you have this figure here, figure 13 on page 12. I am not sure either that I understand what you are trying to tell me, or if I do whether I agree with what you are trying to tell me. Because when you talk about unit stability, according to your statement this chart measures the percentages of personnel who remain in the same unit over a period of a year, but the chart shows that in fiscal year 1986, 49 percent of the officers and 48 percent of the enlisted personnel remained in the same unit over a period of 1 year. But put another way, that means over half did not.

I wonder, is that a statement of stability? Or is it an indication of turbulence and instability?

Mr. TAFT. I guess I would say, in looking at this chart, Mr. Chairman, the thing that is most stable is the proportion of officers that stay in the unit. It seems to be pretty much around 49 percent. But obviously there are reasons for people moving out that are not bad. They get promoted. They have different responsibilities. We do need people to stay, also.

We have a consciousness of this requirement, and as you can see there is an improvement since 1983 in the enlisted, in fact a steady improvement in the enlisted side. The officers have not been changing their residence in these units so much. It is about the same. But on the enlisted side, there is a significant increase from 42 to 48 percent stay in.

While it is true that still 52 percent do not, this is quite a shift in terms of personnel management. There really has been an effort, starting with General Meyer particularly, to emphasize unit cohesion and the improvements in morale that come from that.

Senator DIXON. Mr. Secretary, some legislation from another one of my committees is on the floor now which will require my attendance there shortly, and my staff folks believe there is really no necessary reason to have a classified session. So if you will indulge me for a series of questions one of my colleagues has asked me to present to you, I think we could conclude on that note.

REDUCING FORCE STRUCTURE OF AIR FORCE

In January, the Air Force announced that it was actually reducing the size of its force structure over the next 2 years. Ten general purpose squadrons, including four tactical fighter squadrons and one fighter interceptor squadron, are dropping out of the Air Force force structure. When the President is requesting a 3 percent real growth in defense spending per year over the next 5 years, could you enlighten us as to why the Air Force is reducing its general purpose or conventional force structure in this manner?

Mr. TAFT. I am not familiar with the precise proposal. I will provide the answer to your question for the record.

[The information referred to follows:]

REDUCTION IN FORCE STRUCTURE

The Air Force's established priorities are to modernize strategic forces, improve readiness and sustainability of the general purpose forces, increase airlift capability, modernize and expand tactical forces, and improve our ability to operate efficiently in space. In order to maintain properly balanced forces to meet DOD Defense Guidance, guided by these priorities, it was necessary to reduce conventional force structure to accommodate the fiscal year 1987 congressionally approved budget which was \$9B below the fiscal year 1987 Air Force request. The fiscal year 1987 mark reduced the funding baseline for development of programs in fiscal year 1988 and beyond.

The fiscal year 1988 AF budget request is \$4.5B below the request for fiscal year 1987 and \$10B below the fiscal year 1988 column of the fiscal year 1987 request. These reductions in funding have forced decreases in both procurement and operating budgets. The end result is a smaller general purpose force that is both ready and sustainable within existing obligational authority.

Conventional force structure reductions programmed for fiscal year 1988 include the following:

(1) Deactivations: 474 TFW, Nellis AFB, NV (F-16A); 48 AARS, Homestead AFB, FL (UH-1N); 54 WRS, Andersen AFB, Guam (WC-130); 36 TAS, McChord AFB, WA (C-130E); 5 FIS, Minot AFB, ND (F-15, Air Defense); and 9 separate rescue helicopter detachments.

(2) Three HC-130s are being withdrawn from the 71 ARRS, Elmendorf AFB, AK.

(3) Three Air National Guard reconnaissance squadrons are being reduced from 22 to 18 Primary Aircraft Authorized.

(4) The 134 TFS, an ANG F-16 unit at Burlington, VT, is being transferred from general purpose forces to strategic defense forces to replace the 5 FIS.

Mr. TAFT. We have had—

Senator DIXON. Mr. Secretary, it is being suggested that there is no force structure increase in the Reserve, so that is probably not the case.

Mr. TAFT. Not the case.

Senator DIXON. But I understand every one of these things would not be at your fingertips. Could you give us the answer to that at your convenience?

Mr. TAFT. We will get that for you, sir.

Senator DIXON. And could I go to the next question in line with that—and again I am not trying to—a Senator would know better than anybody that we do not have all these things at our fingertips, so please do not think that I expect you to begin to recite chapter and verse on this stuff, but here is the next question.

REDUCING CONVENTIONAL FORCE STRUCTURE

Air Force officials were quoted in the press as saying that the Air Force is cutting back units of fighter planes because nuclear

weapons are consuming an ever-increasing share of the Air Force budget, and the question is, are strategic nuclear programs actually crowding out funds for conventional programs and causing the Air Force to reduce its conventional force structure?

Mr. TAFT. I think the general answer to that is no, that the portion of the Air Force budget that was in strategic is not significantly changed from what it was before. This is a very big year, and indeed the 5-year program will result in increases in the number of strategic programs. The small missile, for example, is one that is growing very rapidly this year and over the period. But I think we have accommodated those within the overall figure and not had to reduce the portion overall that has gone to conventional forces.

On the strategic side, one area in the Air Force that was reduced in the 5-year plan this year from last year is the air defense area where you may recall we had a program in the 1987 budget for the purchase of 270 air defense planes. Then we had the competition between F-20 and the F-16. Rather than buy a new aircraft, we decided to upgrade existing F-16A aircraft transferred from the tactical air forces, saving about \$3 billion.

Senator DIXON. The final question I have been asked to put to you by a colleague is that since 1980 have there been any reductions in the Air Force structure comparable in size to the elimination of these 10 general purpose squadrons which was announced in January?

Mr. TAFT. I will have to get that historical data for you.

[The information follows:]

AIR DEFENSE AIRCRAFT

The period from fiscal year 1980 to fiscal year 1987 was one of gradual but sustained growth for Air Force general purpose forces. Over that period the AF general purpose total force, including active, Air National Guard and AF Reserve forces, grew from 57 to 60 C-130/C-141 squadrons and from 117 to 125 fighter attack squadrons.

MILCON

Senator DIXON. One matter of curiosity. We have not talked about Milcon to any great extent, aside from your observations which I thoroughly agree with about quality of life importance, and all that sort of thing. I notice though that you have given us a separate sheet here—are you aware of that—in which you kind of prioritize—

Mr. TAFT. I do not know that I have.

Senator DIXON. Oh, excuse me. I apologize. This was from General Rogers this morning in which he prioritizes needs in Europe.

Are you able to comment on that sort of thing? Would it be a matter that would not be—

Mr. TAFT. I will be glad to comment on it. I have not seen it. My priorities within Europe probably conform to his. He has got a very good appreciation of this.

Senator DIXON. In a second level of priority in a list of one, two, three, four, five, six, seven, eight, nine, it looks like about nine different levels of priority, he puts what is called Project PRADO, the relocation of the Naval Support Activity in Naples.

We had quite a bit of testimony here one day in the subcommittee about that. There was curiosity evidenced I think by a number of the members of the subcommittee about an expenditure of one-half billion dollars, I think in the long term it was a sum that large, to move about 25 miles in an area where, as my recollection is, there is an earthquake potential and so forth.

And we were wondering in these very, very critical times of these tremendous fiscal constraints with the Gramm-Rudman-Hollings threshold that I do not know how in the world we will meet this year, and all these other problems, how this got to be such a high priority?

Mr. TAFT. Well, Mr. Chairman, my understanding of the situation is this, that the place where the facilities are now is a potential earthquake area.

Senator DIXON. Yes, that is what I understand.

Mr. TAFT. Not where they are headed.

Senator DIXON. No, no. I did not mean to imply that.

Mr. TAFT. And that is the reason for the priority. We have a hospital there, as one of these items I know, where the top two floors are not even occupied now because they are a hazard to be in them.

Senator DIXON. See, someone had suggested to us, Mr. Secretary, and I am just—

Mr. TAFT. The school is there, too. It is a terrible situation.

Senator DIXON. Somebody had suggested it was not so much the location as the facilities in which these things were housed—

Mr. TAFT. They are not earthquake-proof. That is correct.

Senator DIXON [continuing]. And the possibility was that without the move 25 miles inland, as I recall, that we could save a lot of dollars. I am wondering how critical everyone seems to think this is in view of our financial problems that we have this year.

Mr. TAFT. Well, I think it is, as you see, very high on General Rogers' list which I have been given, and it is very high on our list, also. We think that it is economical to make this shift and to build the facilities that will withstand any of the tremors that they might be subjected to. The idea that we have—one of the reasons this has also risen in priority is we have been struggling with it for the last 2 or 3 years now.

The idea that we would wake up one morning and find out that something had happened in that school or that hospital, we would all very much regret it. We have got to get moving on it.

Senator DIXON. Mr. Secretary, I thank you for your usual fine cooperation. We appreciate very much the time that you spend in making us aware of these problems, and I thank you for spending this amount of time with us today. If you do not mind, we will follow up with some written questions on other matters of concern.

I appreciate very much the fact that you would accommodate us.

Mr. TAFT. Well, Mr. Chairman, I thank you very much. It has been a pleasure for me to appear before you, and we will certainly answer the questions that you submit, and any that your colleagues would care to. I am very sincere when I say that this committee has taken the leadership role in this important area. We in the Department know that, and we want to work with you and

with those other committees that need to be educated on these subjects, and we will be helping you.

[Questions for the hearing record with answers supplied, follow:]

QUESTIONS SUBMITTED BY SENATOR ALAN J. DIXON

DEPOT MAINTENANCE

Senator DIXON. Secretary Taft, both Army and Air Force witnesses expressed concern about their growing depot maintenance backlogs over the next two years of this budget. In your view, are these backlogs likely to result in lower mission capable rates and lower readiness by the end of fiscal year 1989?

Mr. TAFT. The mission capable rates reflected in the budget are at or above fiscal year 1987 levels. It's anticipated that these budgeted rates will be achieved.

Senator DIXON. Secretary Taft, the Air Force is projecting a \$400 million depot maintenance backlog by fiscal year 1989, and the Army is projecting a \$500 million depot maintenance backlog by fiscal year 1989. Why do we see these large depot maintenance backlogs in the Army and Air Force and a relatively small (\$39 million) backlog in the Navy? Did you give any thought during your budget review to spreading the pain a little more evenly among the Services?

Mr. TAFT. With the dollar resources available to the Department, we distributed resources as equitably among the Services as we could. The difference in backlogs among the Services largely reflects the result of internal Service resource allocation decisions to apply their limited resources among competing program priorities. Additionally, it is very difficult to project backlogs for fiscal year 1989 at this time. Requirements are constantly changing and therefore their estimates could either increase or decrease.

MILITARY CONSTRUCTION AND REAL PROPERTY MAINTENANCE

Senator DIXON. Secretary Taft, the backlog of maintenance and repair of real property grows in each of the four active services in both fiscal year 1988 and fiscal year 1989.

Is this one of the areas of O&M that you believe you can "let slide" for the next two years?

Mr. TAFT. It is not possible to fund all known program requirements when operating within a constrained funding environment. After careful consideration, the Department determined that the growth in the backlog of maintenance and repair could not be avoided, given other high priority Defense requirements.

Senator DIXON. Secretary Taft, one of the objectives of combining oversight of the O&M and military construction accounts within this subcommittee was to allow us to consider trade-offs between these two accounts.

One of the areas of concern to me is the underfunding of our maintenance of existing facilities. Your choice of building new facilities—sometimes whole new bases or homeports—instead of maintaining the facilities and bases we already have suggests a lack of stewardship.

How much would the O&M account need to be increased in order to keep the backlog of maintenance and repair of real property from growing over the next two years?

Mr. TAFT. To preclude the projected growth in the backlog, the O&M accounts would have to increase by \$580 million in fiscal year 1988 and \$440 million in fiscal year 1989.

Senator DIXON. Wouldn't it make sense to shift funds from one of the new construction projects into the maintenance and repair of our existing facilities?

Mr. TAFT. Given the limited resources available, the President's Budget request for fiscal year 1988 and fiscal year 1989 represents the optimum balance between construction of new facilities and the maintenance and repair of existing facilities. While neither of these is funded at the level the Department might request in an unconstrained fiscal environment, they are funded at the highest level possible given the realities of the budget.

Senator DIXON. Secretary Taft, you state that the Department's goal is to replace about 2% of its existing facilities each year. Based upon a \$450 billion replacement value of the DOD facilities inventory, I gather you believe that an annual construction investment of \$9 billion is in order. You state that your fiscal year 1988 and fiscal year 1989 Milcon requests of \$10.1 and \$10.6 billion, will do that.

But when I look at your fiscal year 1988 request, I see a construction investment of only about \$7.1 billion. The other \$3 billion is for family housing operations, maintenance and leasing, and our contribution to the NATO facility program.

Are we even close to the annual \$9 billion investment in new construction which you believe to be necessary?

Mr. TAFT. The President's Budget request for fiscal year 1988 and 1989 provides for annual replacement of approximately 1.7 percent of the existing physical plant. While this is lower than our optimum standard of 2 percent, it is significantly higher than the past few years for which we have averaged only 1.3 percent. In spite of not meeting the 2 percent goal, given the fiscal restraints of the budget and the pressing need to finance other high-priority Defense requirements, it was not possible to program a greater amount into new construction.

QUESTIONS SUBMITTED BY SENATOR GORDON J. HUMPHREY

IMPROVED DOD CONDITIONS

Senator HUMPHREY. In your statement, you paint improved pictures about the conditions in the DOD. I am very glad to see these improvements. They were badly needed. However, the current budget requests still have some very discouraging trends. I would like to ask your opinion on the potential impact of the ammunition requests having been reduced for fiscal year 1988 and fiscal year 1989 for the Army and the Marine Corps?

Mr. TAFT. The Army fiscal year 1987 Ammunition procurement budget is \$2,127.2 million. The fiscal year 1988 and fiscal year 1989 requests are \$2,194.3 million and \$2,194.8 million respectively. The fiscal year 1988 request almost balances the projected inflation; however, leveling the funding into fiscal year 1989 as requested, results in an approximate 3 percent negative real growth for that year. We will continue to build toward stockage objectives but at a slower rate than previously expected. We feel we have a balanced program within available funding, but lower funding levels certainly constrain sustainability growth.

The Marine Corps fiscal year 1987 Ammunition procurement budget is \$575.9 million. The fiscal year 1988 and fiscal year 1989 requests are \$410.9 million and 403.6 million respectively. Because the fiscal year 1987 ammunition budget was unusually high, the fiscal year 1988 and fiscal year 1989 budgets appear to have dropped off significantly when that is not quite the case. Ammunition funding is down, but not to the extent one would believe when comparing fiscal year 1988 and fiscal year 1989 to fiscal year 1987. The Marine Corps ammunition budget over the last few years was on the average fairly constant and lower than the fiscal year 1987 program. The fiscal year 1988 and fiscal year 1989 budgets will slow the rate at which the Department is filling the inventory of Marine Corps ammunition, but there are limitations in fiscal year 1988 and fiscal year 1989. The expensive preferred rounds are not producible at the desired rates. The production for these items is backlogged. Had the higher rates been available, the Marine Corps budget requests for fiscal year 1988 and fiscal year 1989 would have been from \$60.0 million to \$100.0 million higher.

NAVY FLYING

Senator HUMPHREY. Navy flying hours funded at 95% of the operational requirement?

Mr. TAFT. Naval tactical air and anti-submarine warfare flying hours are programmed in fiscal year 1988/89 at 87% of Primary Mission Readiness (PMR) requirements, assuming that 2% of the flying hour training requirements can be met by simulators. This rate is consistent with rates accomplished in recent years and approaches the Navy goal of 88%.

REAL GROWTH IN O&M

Senator HUMPHREY. Real growth in the O&M accounts of a -\$2,185.5 million for fiscal year 1988 and +\$1,470.0 million for fiscal year 1989. This results in net reduction of -\$715.5 million over the 2 years. Will not these reductions mean greater backlogs and reductions in operation tempo? With all the new and modern equipment being introduced requiring more support, the largest real increases in the O&M accounts were for CHAMPUS and the civilian retirement contributions.

Mr. TAFT. After the effect of funding responsibility realignments of \$452.7 million into the O&M accounts are considered, real growth for the O&M title in fiscal year

1988 totals \$173.8 million. In fiscal year 1989, real growth for O&M totals \$1,724.2 million. Thus, real growth amounts to \$1,898.0 million over the two year period.

We would like to have provided more funding for the O&M accounts but were unable to do so because of the overall topline constraints. Given this situation, we have struck a reasonable balance in the distribution of resources. The O&M funds do provide adequate support for operating tempos so that we retain the readiness improvements made over the several years and also support the new equipment entering the force.

The increased funding provided for CHAMPUS and the new Federal Employees Retirement System (FERS) reflects financing for relatively uncontrollable requirements which must be included in the budget. CHAMPUS funds were budgeted to meet the anticipated claims cost of beneficiaries using civilian facilities, and the FERS increase reflects the full year cost of the new retirement system implemented governmentwide during fiscal year 1987.

DEPOT AND REAL PROPERTY BACKLOGS

Senator HUMPHREY. The depot and real property backlogs are increasing by hundreds of millions each year—fiscal year 1987-fiscal year 1989?

Mr. TAFT. The President's Budget request for fiscal year 1988 and fiscal year 1989 represents a balanced program that is achievable within the limited resources available. While neither depot maintenance nor real property maintenance is funded at a level to preclude backlog growth, they are funded at the highest level possible given the priorities of the other programs with which they must compete.

MISSION READINESS

Senator HUMPHREY. Primary Mission readiness of the Navy has leveled at 87%. Is this the maximum and is that adequate?

Mr. TAFT. The Navy goal for Primary Mission Readiness (PMR) flying hours is 88% of requirements. The 87% level is consistent with rates accomplished in recent years and approaches the Navy goal of 88%. Programing in future years of the additional hours to meet the Navy goal will depend on competing priorities and funding availability.

FLYING HOURS

Senator HUMPHREY. Flying hours for crew members in all services have leveled off in fiscal year 1987-89. Have we reached the maximum in these areas?

Mr. TAFT. Since fiscal year 1980, the Department has increased aircrew flying hour rates and has sustained or increased them in this budget submission. For example, in fiscal year 1980, Air Force tactical hours per pilot per month were at about 16. In fiscal year 1988/89, the Air Force tactical hours per pilot per month are at 19.5/19.6. Likewise, the Army tactical hours per crew per month stood at 13.5 in fiscal year 1985. This budget reflects an Army rate of 15.8. The Navy continues to provide 25 hours per month for its tactical Air and Antisubmarine Warfare pilots. Within final constraints, we have made every effort to balance the flying hour programs against requirements.

STEAMING DAYS

Senator HUMPHREY. Steaming days per quarter for the active fleet for both deployed and non-deployed ships have leveled at 50.5 and 29.0, respectively. Is this the maximum and is it adequate?

Mr. TAFT. The programed steaming days for fiscal year 1988/fiscal year 1989 meet training requirements for the non-deployed fleet and known national commitment requirements for the deployed fleet are adequate to maintain training for naval forces.

SHIP OVERHAUL AND REPAIR BACKLOGS

Senator HUMPHREY. Navy has changed its definition on ship overhaul and repair backlogs—there are no more. This is in the face of Navy "management decisions" to delay/decrease 20 ship overhauls/repairs in the fiscal year 1988/89 request. What do you believe the impact will be? Are we stretching the repair cycle too far?

Mr. TAFT. The Navy's fiscal year 1988/89 budget request fully funds the ship overhaul program and reflects no ships in backlog. No ship backlog has occurred since the fiscal year 1984 program. Changes in the Navy's maintenance philosophy have created engineered cycles that rely on fewer overhauls and more short duration,

non-overhaul availabilities. The chart below shows how, although the number of overhauls decrease, the number of Select Restricted Availabilities (SRA's) and Phased Maintenance Availabilities (PMA's) dramatically rise.

	Fiscal year—			
	1986	1987	1988	1989
Overhauls	33	36	31	25
Nonoverhauls:				
SRA	99	105	99	114
PMA	31	51	63	79
Total	130	156	162	193

While the number of overhauls decreases by 24% between fiscal year 1986 and fiscal year 1989, the number of SRA's and PMA's increase at twice that rate, up 48%. The general condition of the fleet has improved under this concept.

AIR FORCE REAL GROWTH

Senator HUMPHREY. The Air Force has briefed to this committee staff that they have a -2.5% real growth in fiscal year 1988 for O&M funding.

Mr. TAFT. While the Air Force budget does reflect negative real growth in fiscal year 1988, the Air Force continues to sustain operating tempos and support for new equipment entering the inventory. For example, Air Force tactical hours per pilot per month have increased from 15.7 in fiscal year 1980 to 19.5 in fiscal year 1988—up from 19.3 in fiscal year 1978. Funding for strategic forces and base operating support also continues to increase. The fiscal year 1988 funding levels for real property maintenance and depot maintenance, however, decrease with resultant increases in the backlogs. Together, these changes provide for a balanced program within fiscal constraints.

AIRCRAFT INVENTORIES

Senator HUMPHREY. The total aircraft inventories in the Navy and Air Force show decreases in fiscal year 1988 and fiscal year 1989. What will be the effect on readiness and sustainability of this major change in inventories? What are the major reasons for the decrease and is it consistent with the operational command requests?

Mr. TAFT. The fiscal years 1988/89 President's Budget projects slight reductions in the Air Force total active aircraft inventory and slight increases in the Navy active aircraft inventory from fiscal year 1987 to fiscal year 1989. These data are shown in the following table:

TOTAL ACTIVE AIRCRAFT INVENTORY (END FISCAL YEAR)

[Fiscal years 1988/1989 President's budget]

	1987	1988	1989
Air Force	9,440	9,329	9,353
Navy	5,786	5,831	5,850
Total	15,226	15,160	15,203
Change (annual)		-66	+43

The decreases in the Air Force inventory between fiscal year 1987 and fiscal year 1989 include anticipated peacetime attrition across the force. The largest reductions in individual aircraft categories are in trainers (down by almost 100) and helicopters (down by about 50). Both these cases reflect the retirement of old aircraft, about 75 old T-33 trainers and about 40 old H-3 helicopters being placed in inactive status between end-fiscal year 1987 and end-fiscal year 1989.

Inventories of principal combat aircraft types in the Air Force and Navy (including the Marine Corps) are projected to stay level or increase during fiscal year 1987

to fiscal year 1990. As you know, the Air Force is reducing its fighter/attack aircraft force structure—the number of aircraft operationally assigned to combat units—by about 50 between end-fiscal year 1987 and end-fiscal year 1988, and reducing the number of fighter/attack squadrons by three (from 125 to 122) at the same time. (Navy/Marine Corps force structure continues unchanged at a total of 17 active and three reserve wings, overall, from end-fiscal year 1987 to end-fiscal year 1990.) This Air Force force structure reduction reflects reduced overall funds available to operate these aircraft. Accordingly, active force F-16s will be transferred to the Reserve Components earlier than previously planned, and about one equivalent wing of additional older reserve force F-4s retired earlier than planned last year. The increased number of aircraft in the backup inventory or in peacetime attrition reserve status will help us ease the flow of maintenance and sustain the existing combat force structure longer as future attrition occurs. These changes reflect the need for balanced reductions across the defense program as topline funding is decreased below previous expectations. These reductions do not indicate a change in our assessed needs.

FOREIGN CURRENCY

Senator HUMPHREY. The Foreign Currency Transaction Fund Defense has had severe cycles due to dollar values overseas and Congressional actions. What are the effects of such swings on your commands' operations? Are there effects on readiness and sustainability?

Mr. TAFT. Since the Congress established the Foreign Currency Fluctuations, Defense appropriations in fiscal year 1979, the changes in the value of the U.S. dollar overseas have had no impact on overseas operations that are funded within the Operation and Maintenance accounts. The fund was established to eliminate the negative impact on program accomplishment from unfavorable variations in the value of the U.S. dollar in relation to the foreign currencies, and it has worked extremely well in accomplishing this end. Since the outset of the fund, approximately \$3.3 billion has been issued from the fund to the Components to compensate for unfavorable currency variances. This amount has enabled execution of program that would have been cancelled due to currency changes if we did not have the fund. Thus it has been an effective financial mechanism in enhancing readiness and sustainability.

Senator DIXON. Thank you, Mr. Secretary.

This subcommittee is adjourned.

[Whereupon, at 3:19 p.m., the subcommittee was adjourned, subject to the call of the Chair.]

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